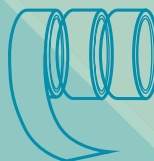
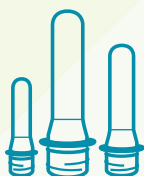


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Taiwan Hon Chuan Enterprise Co., Ltd.

Annual Report 2020



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Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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1. Letter to Shareholders

Since the COVID-19 pandemic was affecting the world last year, economic activities were suspended, financial markets were shaken, and global trade, investment and consumption momentum were weakened significantly. Fortunately, the situation is gradually under control after countries actively respond to the pandemic with different protective measures. Despite the impact of the pandemic on the sales of some overseas bases, all staff members continue to work hard, strive to grow, and show great perseverance. In these tough times, Taiwan Hon Chuan still posted stronger results of the profit after tax than 2019. In 2020, consolidated sales reached NTD\$ 19,348,249,000, decreased by 10.12% from NTD\$ 21,527,348,000 in 2019. Profit after tax totaled at NTD\$ 1,730,740,000, an increase of 18.01% from last year's NTD\$ 1,466,602,000. Earnings per share were 5.72 dollars for the year of 2020 conclusively.

The Company recognizes that only by accelerating innovation and technology, building out a complete system and complying with regulations, and enhancing the competitiveness of enterprises can we ensure the working interest of all staff members and pursue sustainable development. This year, the seven operation directions of the Company are as follows:

- (1) Systematic management: continuously introduce information system management, such as Business Intelligence and Manufacturing Execution System.
- (2) ESG promotion: enhance the promotion and implementation of ESG(environment, society, corporate governance) in order to achieve corporate sustainability.
- (3) Product innovation: develop innovative niche products and cross-industry packaging.
- (4) Customer service: continuously develop new accounts, establish mutually beneficial and win-win business models and partnerships.
- (5) Process upgrade: continue to uplift automation processes.
- (6) Talent development: promote elite training programs and the goal of staff localization.
- (7) Shareholders' rights: continuously aim at long-term development and solid operations, comply with laws and regulations, and create value for the Company and shareholders.

Taiwan Hon Chuan is dedicated to professional development, innovative research and developing, and personnel training, strengthening the development of business competitiveness and the accomplishment of corporate strategic directions, by ways of flexible commercial strategies, steady growing pace, bottom-up resources integration, accumulated experience with domestic and international clients and modern production technology and management ability, in order to demonstrate overall operating synergy.

Looking ahead, focusing on core business, Taiwan Hon Chuan will continue to strive towards our corporate purposes: “acquiring good business reputation, developing global markets, respecting our customers, caring for our employees and fulfilling our social responsibilities”. We aim to solidify our home market in Taiwan, and replicate our success story across the globe in markets such as Mainland China, South East Asia, Africa and other high potential regions. We look forward to a new era of Taiwan Hon Chuan through our persistent efforts in 2021.

Chairman :
Dai, Hung-Chuan

President :
Tsao, Hsih-Chung

Chief Accounting officer :
Cheng, Ya-Wen

1.2 Business Report

1.2.1 2020 Operating Result

1.2.1.1 2020 Execution of Business Plans

In 2020, the consolidated revenue posted at NTD\$ 19,348,249 thousand, decreased by 10.12% from 2019. The consolidated income before tax booked NTD\$ 2,155,313 thousand, increased by 7.83% from 2019; The consolidated income after tax reached NTD\$ 1,730,740 thousand, 18.01% higher than previous year. The earning per share was 5.72 dollars.

1.2.1.2 Budget Performance

Taiwan Hon Chuan Enterprise Co., Ltd (Hereinafter referred to as “Hon Chuan” or “the Company”) did not disclose financial forecasts in 2020.

1.2.1.3 Financial Results and Profitability Analysis

Item		2020	2019
Finance Structure (%)	Debt to Assets Ratio	56.19	56.45
	Long-Term Capital to Fixed Assets, Machinery and Equipment Ratio	144.51	140.31
Solvency (%)	Current Ratio	151.94	133.28
	Quick Ratio	103.2	89.24
	Interest Coverage (times)	13.85	8.64
Profitability (%)	Return on Assets	6.01	5.67
	Return on Equity	12.54	10.94
	Pre-tax Profit to Paid-in Capital Ratio	74.89	68.25
	Net Margin	8.95	6.81
	Earnings Per Share (NTD\$)	5.72	4.72

1.2.1.4 Research and Development

Hon Chuan pays highly attention on R&D, with continuously innovative activities, to ensure a leading position in industry. We not only promote the lightness of products in order to save energy and reduce carbon dioxide, but also develop a multitude of new functions, new materials and cross-industry products to enhance the value of the products. The R & D achievement for 2020 was as follows:

- (1) 38mm bottle neck 500ml hot fill bottle
- (2) 1881 bottle neck 600ml soda bottle
- (3) 38mm bottle neck 265ml, 320ml, and 450ml freezing bottle
- (4) 30mm, 32mm bottle neck 395ml soy sauce bottle
- (5) 1881 bottle neck 350ml, 450ml, 525ml, 580ml, 910ml, and 975ml aseptic bottle
- (6) 38mm bottle neck 250ml aseptic bottle
- (7) 1881, 3025 soda, water connected cap
- (8) BPKS lightening plastic cap
- (9) 45mm family sized bottled water 6L plastic cap
- (10) 37 mm essence of chicken cap
- (11) 42 mm bird's nest cap
- (12) T-Type aluminum cap with high temperature resistance

- (13) 30 x 60mm long neck aluminum cap
- (14) Spiral iron cap/aluminum cap
- (15) Introduction of low-VOC UV ink
- (16) Introduction and mass production of 30% PCR PET shrinkable film

1.2.2 Outlines of Business Plans

1.2.2.1 Business Objectives

1. Strengthen core competency
 - (1) Actively promote In-House (Plant-Within-a-Plant) strategic coalitions with clients and provide high-quality packaging materials and product service to scale up the business and achieve win-win situation for both Hon Chuan and clients.
 - (2) Continuously expand mid- and long-term strategic cooperation with clients.
 - (3) Implement Corporate Governance Evaluation System, in order to make the Company's overall operation more Institutionalized, standardized and rationalized. Achieve the goal of sustainable operation and development.
 - (4) Continuously carry out projects of lean management and tendering procedures for procurement, implement budget and cost control, and encourage all departments to proactively propose improvement plans and feasible measures, and track the performance of the project on a regular basis in order to reach the lean and refined goals which the Company sets.
 - (5) Actively implement the development of new products, use innovative R&D technology to develop new materials, new functions and cross-industry products to enhance the value of the products.
2. Continue to take action toward globalization – foothold in Taiwan and aim to the world
 - (1) Continuously integrate, use and share group resources in order to enhance business synergy.
 - (2) Build strategic alliances with global and domestic giants. Apply experiences from Taiwan to China, Southeast Asia and Africa. Integrate resources and expand markets.

1.2.2.2 Projected sales volume and its reference

1. The projected sales volume for 2021 is outlined as follows:

Unit: Thousand Pcs/Kg/Bottle/Box

Major Products	Sales Volume
Plastic Closures	26,608,177
PET Bottles	9,133,034
Labels	2,573,150
Aluminum Closures	793,458
Films & Electronics Packaging	16,995
Tobacco & Liquor Packaging	161
Beverage Filling OEM	1,912,863
TR Filling OEM	55,036
Metal Lug Caps	347,274
Others	428
Totals	41,440,576

2. Hon Chuan made sales forecasts according to the market movements, considering supply and demand in beverage and food industry and taking into account of changes in products and clients mix in recent years.

1.2.2.3 Key Production and Sales Strategies

1. R&D: We aggressively develop new products, cultivate new customers, put equal emphasis on customer and product orientations, and develop innovative packaging materials and services to meet customers' requests and industry trends.
2. Manufacture: We cooperate with upstream material suppliers to secure high quality and sources of materials. We also strengthen the production management system, improve production lines, and automate production linkage. We establish manufacturing information management feedback system and initiate cooperation with domestic and foreign organizations to improve production technology and equipment process to ensure a leading position in technology.
3. Sales: To cope with business expansion, we aggressively establish comprehensive marketing and logistics management worldwide and develop a robust supply and marketing system with world-leading beverage manufacturers.
4. Operations: We cultivate all-rounded talents, develop flexible competitive strategies, promptly capture industrial trends and market direction, innovate and launch new products that adapt to the constant changing market demands and future challenges.

1.2.3 Future development strategy

1.2.3.1 Continuous innovation activities

Hon Chuan insists on "Innovation" philosophy, actively innovates all kinds of niche type new products and technologies, such as lighter bottles, single-sheet plastic caps, eco trademarks, eco-friendly packaging materials, barrier packaging materials, PET beer bottles and plastic beer bottle caps to increase the products' functionality, additional value and differentiation. By turning creative ideas into innovative products and activities with commercial value, we expand the application of our products in order to improve the Company's core competitiveness.

We introduce new technologies including 3D printing, QR code, digital printing, 3D laser anti-fraud technology, and PVC free TPE composite materials to enhance product safety and improve product competitiveness. Also, aggressively enter new industries, develops new products such as food, life and cleaning supplies and offer packaging materials with functionality and specialty to cater the demand of customers and consumers.

1.2.3.2 Management strategy with differentiation

Hon Chuan keep abreast of market development trend and customer needs in every stage from individual item sales (selling bottle, cap, label or PET bottle separately) to modular sales (selling bottle cap + label + PET bottle collectively), and stretch to total solution (from the beginning of producing bottle cap, label and

PET bottle to the end service of filling OEM, package and storage etc.) and servitization in beverage manufacturing (OEM, ODM, In-house service, joint venture and so on). Builds up an irreplaceable cooperation mode by offering a satisfactory overall service and entering in depth into the production process of the customers.

1.2.4 The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

1.2.4.1 External competitive environment

In Taiwan, the beverage market is extremely competitive. As over one hundred new beverages are released every year, beverage companies must continuously launch new products to maintain competitive strength and secure market share. As the leader of beverage packaging materials in Taiwan, we have the highest market share in bottle caps, bottle labels, and PET bottles. We continuously develop packaging materials with new functionality, new visuality, and new style to minimize the cost of packaging materials for beverage companies and increase the added value of their products, so that they can maintain their competitive strength in the market.

1.2.4.2 Regulatory environment

In terms of the legal environment, Hon Chuan complies with national related laws, international agreements and such policies. To meet regulatory change and requirements from competent authority, we build and implement related regulations to strengthen corporate governance as our principle.

1.2.4.3 Macroeconomic conditions

We are in the fast moving consumer goods (FMCG) business; therefore, revenue is closely related with the demographic size and national GDP. As the birth-rate in Taiwan has been falling recently, an ageing society with population decline is expected in the future, which would limit the growth momentum of the FMCG market. This will indirectly influence our revenue growth. To mitigate the relevant impacts, apart from aggressively internationalizing our business, we implement vertical integration to expand the depth and breadth of our products and services to improve competitiveness and maintain revenue growth by offering all-rounded services to our key customers.

2. Company Profile

2.1 Company Profile

2.1.1 Date of incorporation: July 15, 1969.

2.1.2 Company history

Year	Milestones
1969	➤ “Hon Chuan Industrial Limited Company” with capital of NTD\$ 600,000 was established in Changhua City.
1982	➤ Moved to Shiou Shuei, Changhua County due to continued expansion, and was renamed as Hon Chuan Enterprise Co., Ltd.
1983	➤ Expanded product lines to include Aluminum closures, Colored shrinkable labels.
1984	➤ Became a certified supplier of Aluminum caps and Labels in Taiwan for Coca Cola, Pepsi Cola, 7-up and other international beverage companies.
1987	➤ Acquired land and factory in Taichung Industrial Park.
1988	➤ Moved into Taichung Industrial Park to further expand production.
1990	➤ Tsao, Hsih-Chung, CEO, was awarded for 13 th Model of Entrepreneurs Prize.
1991	➤ Renamed as Hon Chuan Metal Development Co., Ltd. By introducing High-speed Aluminum Cap Machine from Italy and Gravure Machine from UK, Hon Chuan became the largest closure manufacturer in Taiwan. ➤ Awarded of “Golden Dragon Award in National Precise Machinery”. ➤ Added Metal Lug Cap with Safety Button into product line by introducing UK advanced equipment and technology.
1992	➤ Acquired Taichung 2nd Plant. Started to develop Pull ring cap, Long-neck aluminum cap, Plastic cap, Printing equipment and purchased a set of equipment to produce security bottom metal lug cap.
1993	➤ Started to produce Aluminum cap specifically for deluxe wine by importing automatic long-neck wine cap production equipment from Europe.
1994	➤ Imported the manufacturing technology and equipment of multi-layer hot shrinkable film from Europe; concurrently, imported aboard the advanced technology and production facility of plastic cap. ➤ Invested in Pull ring cap equipment, for the use of 100% Juice and functional drinks.
1995	➤ Won a series of awards including “Outstanding Management”, “Product Development”, “Exportation” and “Industry Automation” from R.O.C Packaging Association. ➤ The quality of plastic cap was certified and recognized by International Pepsi Cola company, and THC was delegated to produce and supply its bottle plants.

1996	<ul style="list-style-type: none"> ➤ The quality of plastic cap was certified and recognized by International Coca Cola company, and THC became the unique supplier in Taiwan which won this award. ➤ Received a certificate of ISO 9002 International Quality Assurance System.
1998	<ul style="list-style-type: none"> ➤ Set up an electronic component packaging plant, to produce battery casing and accurate electronic parts.
1999	<ul style="list-style-type: none"> ➤ Renamed as “Taiwan Hon Chuan Enterprise Co., Ltd.” to strive for international business.
2000	<ul style="list-style-type: none"> ➤ Expanded the plants, and invested in producing heat-tolerance crystallized PET bottle to combine with the Company’s caps and labels, and offer the customers a one-stop packaging shopping service. ➤ The Company’s IPO was approved by Taiwan Stock Exchange and Ministry of Finance, R.O.C.
2001	<ul style="list-style-type: none"> ➤ Shares were public listed on Taiwan Stock Exchange on March 2. ➤ Set up an Anti-static film equipment to produce Anti-static film, which was certified by a domestic company TFT-LCD. ➤ Awarded of “Outstanding Industry” by National Industry Award.
2002	<ul style="list-style-type: none"> ➤ Acquired the shares of Suzhou Hon Chuan to develop Great China market. ➤ Received a certificate of SGS ISO 9001:2000 International Quality Assurance System.
2003	<ul style="list-style-type: none"> ➤ Established “Hon Chuan (China) Holdings Co., Ltd.” under which subsidiaries in Suzhou, Changsha, Taiyuan and Jinan were set up to tap into Great China market.
2004	<ul style="list-style-type: none"> ➤ Set up In-House Bottling Lines at Uni-President, Yang Mei Plant and Uni-President, Rui Fang Plant. ➤ Incorporated “Hon Chuan (Asia) Holdings Co., Ltd.,” which invested Hon Chuan (Thailand) plant, Hon Chuan FD plant, Hon Chuan (Indonesia) plant to explore South-east Asia Market. ➤ Established headquarters in Taiwan, China and South-east Asia.
2005	<ul style="list-style-type: none"> ➤ Set up Ningbo Hon Chuan to manufacture battery casing and accurate electronic parts.
2006	<ul style="list-style-type: none"> ➤ Set up 4 mineral water production lines in Suzhou Hongxing, Changsha Hon Chuan, Jinan Hon Chuan and Taiyuan Hon Chuan. ➤ Established Taichung 1st Aseptic Filling Plant at Chungkang Export Processing Zone for aseptic co-packing business.
2007	<ul style="list-style-type: none"> ➤ Established “Hon Chuan (Vietnam) Ltd.” through “Hon Chuan (Asia) Holdings Co., Ltd.,” to produce beverage packaging.
2008	<ul style="list-style-type: none"> ➤ Set up PET blowing production lines at Coke Cola, Taoyuan plant (In House) and Chen Kou Wei, Long Cyuan plant (In House).
2009	<ul style="list-style-type: none"> ➤ Set up Qingxin Hon Chuan at Guangdon, China to provide caps, preforms and beverage OEM service. ➤ Built Tainan plant to provide beverage OEM service for Coke Cola.

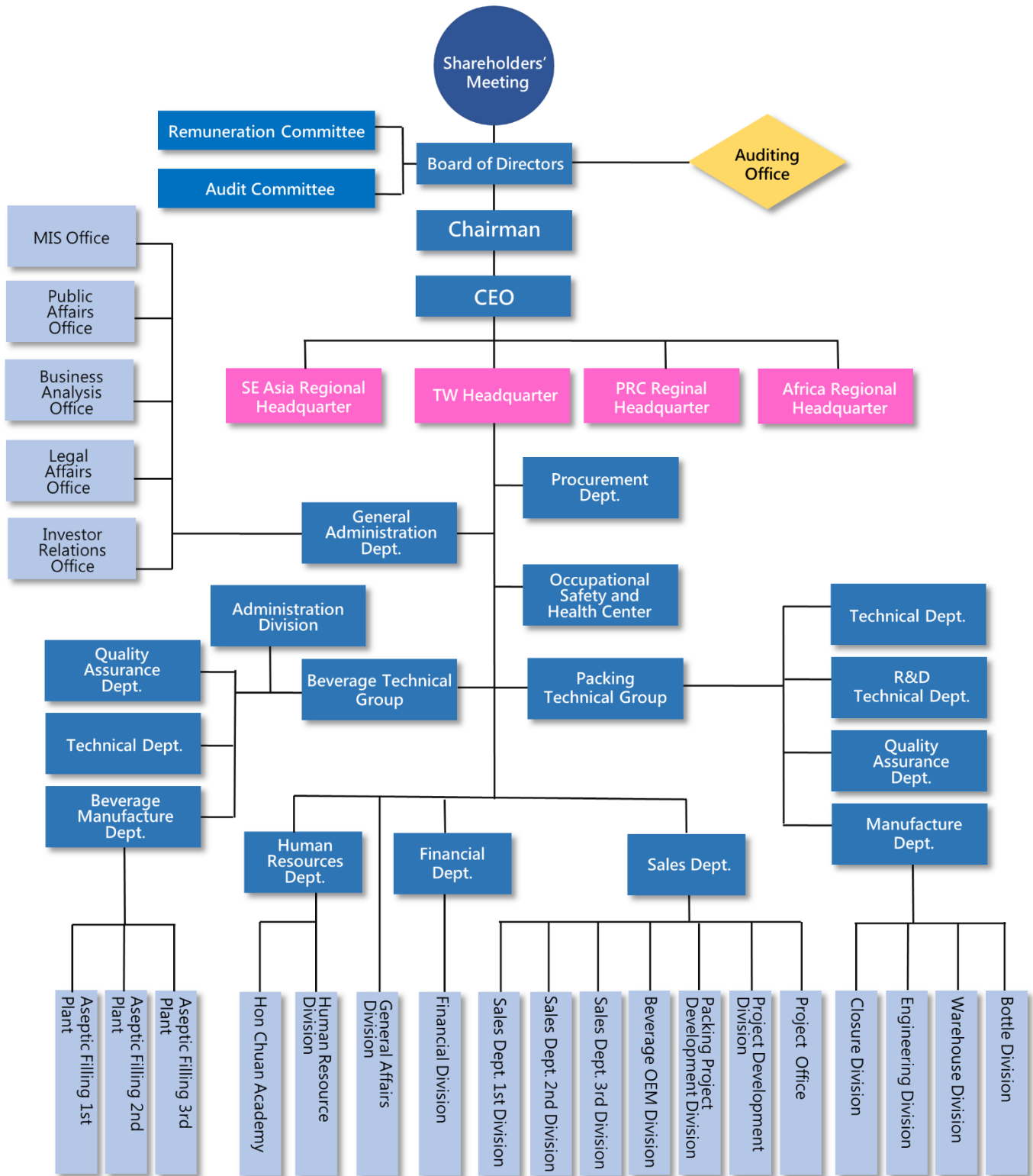
2010	<ul style="list-style-type: none"> ➤ Established HeySong Chungli (In-house) Plant and Kuang Chuan Jiayi (In-house) Plant. ➤ Established Hon Chuan Indonesia Futami (In house) Plant. ➤ Established Xian Coca Cola (In house) plant to provide preforms and water OEM service. ➤ Established Kunming (In house) plant and Lanzhou (In house) plant for Pepsi China. ➤ Won the 20th National Quality Award as recognition for Hon Chuan's high product quality and excellent operational management.
2011	<ul style="list-style-type: none"> ➤ Set up In-house plastic cap production line at Jing Mai Liang Company in China. ➤ Built Malaysia plant to produce plastic cap and preform for supplying local market; also, established In-house blowing bottle plant to cooperate with Cocoland Company in Malaysia. ➤ Received a certificate of international OHSAS 18001 & TOSHMS and Occupational safety and health management by Council of Labor Affairs in Taiwan. ➤ Set up the 2nd aseptic beverage filling plant in Taichung Export Processing Zone, to offer filling OEM service. ➤ The president, Mr. Tsao, Hsih-Chung, received an Award of "Entrepreneurship Model and Excellent Achievement". ➤ Received an Award of "Excellent Social Responsibility Award" for Outstanding Coca-Cola Supplier among Greater China.
2012	<ul style="list-style-type: none"> ➤ Built aseptic filling beverage plant in Zhangzhou, China.
2013	<ul style="list-style-type: none"> ➤ Received recognition from the Industrial Development Bureau. ➤ Awarded SGS ISO-9001 certificate for International Quality of Assurance System and Quality of Sustainability Award. ➤ Set up the 3rd aseptic filling beverage plant in Taichung. ➤ Set up Chuzhou (In House) plant in Anhui, China. ➤ Set up Hon Chuan Myanmar plant.
2014	<ul style="list-style-type: none"> ➤ Set up aseptic filling beverage (In House) plant in Xiantao, Hubei, China. ➤ Set up Aseptic filling plant in Surabaya in Indonesia. ➤ Started a joint venture, Honly plant, with the local beverage producer in Cambodia. ➤ Awarded of "Occupational safety Investment" in Traditional Industries by Ministry of Labor, R.O.C.
2015	<ul style="list-style-type: none"> ➤ Built up automated warehouse at Taichung headquarters and Taichung 2nd Aseptic beverage filling Plant. ➤ Established In-house blowing bottle plant to cooperate with Foodstar Company in Thailand.
2016	<ul style="list-style-type: none"> ➤ Established In-house blowing bottle plant to cooperate with KH Company in Myanmar. ➤ Invested Hon Shi (Samoa) Holding to manufacture and sell beverage packaging material in Mozambique and develop Africa market.

2017	<ul style="list-style-type: none"> ➤ Established In-house blowing bottle plant to cooperate with Tensai Company in Thailand. ➤ Established Honhua Holdings Co., Ltd. in Myanmar to invest bottle water production line. ➤ Established Hon Chuan Enterprise Packing (Luohe) Co., Ltd. in Henan, China to invest bottle water production line.
2018	<ul style="list-style-type: none"> ➤ Awarded for “Innovative Packaging Design – Gold and Bronze Medal Award”, respectively, in annual innovative products assessment from Taiwan Association for Food Science and Technology. ➤ The president, Mr. Tsao, Hsih-Chung, received an Award of Special Contribution in Food Industry from Taiwan Association for Food Science and Technology.
2019	<ul style="list-style-type: none"> ➤ Established In-house blowing bottle plant to cooperate with Vietnam Masan in Vietnam. ➤ Established Hon Chuan (Cambodia) Co., Ltd. in Cambodia to invest preform production line.
2020	<ul style="list-style-type: none"> ➤ Set up the 4th aseptic beverage filling production line at the Taichung 3rd Aseptic-filling Plant. ➤ Set up the 2nd aseptic beverage filling production line at the Indonesia Surabaya Aseptic Filling Plant ➤ Established a In-house aseptic beverage filling production line with Sosro Company in Indonesia ➤ Established a In-house seasoning packaging production line with the biggest seasoning company in China at its Guangdong Foshan Plant ➤ Established Hon Chuan (Philippines) Corporation to develop the beverage packaging materials market in Philippines.

3. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Department		Functions
Board of directors	Remuneration Committee	Formulate and regularly review the policy, system, standard and structure of directors' and managers' performance evaluation and remuneration. Also, regularly evaluate and formulate the remuneration of directors and managers and supervise the implementation of remuneration policy.
	Audit Committee	Supervise the Company to carry on related business in compliance with The Company Act., Securities and Exchange Act. and related regulations.
	Auditing Office	Examine and audit the effectiveness of internal control system, and evaluate its comprehensiveness and accuracy. Also, continuously supervise and improve all internal control operations.
General Administration Dept.		Responsible for planning and execution of business objectives, performance analysis, legal affairs and contract review, ERP systems, project management and investor relationship management.
Sales Dept.		Responsible for formulating and implementing marketing strategies, maintaining customer's relationship as well as new customer development, and achieving sales targets.
Procurement Dept.		Responsible for the consolidation and management of company wide procurement needs.
Manufacture Dept.		Responsible for product manufacturing, production capacity allocation, inventory management and transportation scheduling.
Financial Dept.		Responsible for the summarization and supply of accounting information, management and operation of finance and investment, cost calculation and stockholding services.
Packaging Technical Group		Responsible for Integration of manufacturing, technology, R&D, QC, and relative affaires in packaging material sector.
Beverage Technical Group		Responsible for Integration of manufacturing, technology, R&D, QC, and relative affaires in beverage OEM sector.
Human Resource Dept.		Responsible for Human resource planning, recruitment, training, career planning, employee's welfare, relationship, etc.
Labor Safety & Health Dept.		Responsible for planning and execution of industrial safety sanitation, environmental protection.

3.2 Information regarding directors, supervisors, management team and branch managers

3.2.1 Information regarding Directors

3.2.1.1 Information regarding Directors

April 20, 2021

Title	Nationality	Name	Gender	Date of Election (Inauguration)	Term of office	First elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Dai, Hung-Chuan	M	2020.06.19	3 years	1996.10.04	3,572,019	1.24%	3,572,019	1.24%	577,352	0.20%	0	0	(1) Bachelor Degree in Civil Engineering, National Taiwan University, Taiwan (2) Master Degree in Structural Engineering, University of California, Berkeley, U.S.A. (3) MBA, Columbia University, U.S.A. (4) A Chartered Structural and Civil Engineer in ROC (5) Technical Specialist of Public Works Department, Taichung City Government (6) Associated Technical Specialist of Construction Management Division, Construction and Planning Agency Ministry of the Interior	(1) Chairman of Hon Chuan Investment Co., Ltd. (2) Chairman of Hon Tong Investment Co., Ltd. (3) Director of Ren Sun Construction Co., Ltd	Director	Dai, Hung-I	Brother	—
Director	R.O.C.	Tsao, Hsih-Chung	M	2020.06.19	3 years	1982.03.22	4,372,243	1.52%	4,372,243	1.52%	1,283,064	0.45%	0	0	(1) The recipient of the 13th China Youth Career Initiation Honor Award (2) Sun Yat-Sen Institute of Policy Research and Development (the tenth term) (3) Wharton School of the University of Pennsylvania, U.S.A. (4) The 18 th Director of Food Industry Research and Development Institute (5) Elite Presidents' Camp of Peking University, China (6) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2000	(1) General Manager of HON CHUAN (2) Chairman of Hsih-Yueh Development Co., Ltd.	Director	Tsao, Hung Yu	Son	—

Title	Nationality	Name	Gender	Date of Election (Inauguration)	Term of office	First elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	R.O.C.	Liu, Yun-Chang	M	2020.06.19	3 years	1999.04.20	689,303	0.24%	689,303	0.24%	98,641	0.03%	0	0	(1) EMBA, Beijing University, China (2) Department of Distribution Management, National Chin-Yi University of Technology, Taiwan (3) The Outstanding Enterprise Manager Award of R.O.C in 1996 (4) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2002 (5) The Distinguished Alumni Award of National Chin-Yi University of Technology in 2010	Executive Vice President of HON CHUAN	—	—	—	—
Director	R.O.C.	Chang, Chun-Shu	F	2020.06.19	3 years	1993.12.17	2,663,234	0.93%	2,663,234	0.93%	416,089	0.14%	0	0	Graduated from National Taichung Institute of Commerce, Taiwan	Director of HON CHUAN	—	—	—	—
Director	R.O.C.	Tsao, Hung Yu	M	2020.06.19	3 years	2020.06.19	6,529,134	2.27%	6,529,134	2.27%	0	0	0	0	Department of Economics, York University	Executive Assistant of HON CHUAN	Director	Tsao, Hsih-Chung	Father	—
Director	R.O.C.	Dai, Hong-I	M	2020.06.19	3 years	1996.10.04	5,812,111	2.02%	5,812,111	2.02%	631,576	0.22%	0	0	(1) Master Degree in urban design, University of Sydney, Australia (2) Department of Architecture, Tamkang University (3) A Chartered Architect in ROC	(1) Director of HON CHUAN (2) Dai Hongyi Architects (3) Chairman of Ren Sun Construction Co., Ltd., Hong-I investment Co., Ltd., Hong-Shan investment Co., Ltd. (4) A member of Urban design advisory committee, Taichung City (5) Assistant professor, Department of Landscape design, National Chin-Yi University of Technology (6) An arbitrator of Chinese Arbitration Association, Taipei	Chairman Vice President of Finance Dept.	Dai, Hung-Chuan Cheng, Ya-Wen	Brother Relationship in law	—
Independent Director	R.O.C.	Kung, Yi-Lu	M	2020.06.19	3 years	2017.06.15	0	0	0	0	0	0	0	0	(1) Master Degree in Accounting, Soochow University, Taiwan (2) Department of Business Administration, Tamkang University, Taiwan (3) Chief Auditor of King's Town Bank (4) Assistant general manager of CDIB Capital Group	Independent Director of HON CHUAN	—	—	—	—
Independent Director	R.O.C.	Hung, Chao-Nan	M	2020.06.19	3 years	2017.06.15	0	0	0	0	0	0	0	0	(1) Master Degree in Politics, Arkansas State University, U.S.A (2) Department of Foreign Languages, School of Law, Soochow University (3) Pass the Finance Special Examination (Former senior tax officer of Customs Administration, Ministry of Finance) (4) The 4th member of the Control Yuan (5) Legislator, reelected for 8 times, Chungkuo Kuomintang	Independent Director of HON CHUAN and Rexon Industrial Corp., Ltd.	—	—	—	—

Title	Nationality	Name	Gender	Date of Election (Inauguration)	Term of office	First elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
															(6) Convener of Finance Committee					
Independent Director	R.O.C.	Huang, Hsiang-Ying	M	2020.06.19	3 years	2017.06.15	0	0	0	0	0	0	0	0	(1) Ph. D. in Public Finance and Economics, Central University of Finance and Economics, Peking, China (2) Master Degree in Accounting, National Chengchi University, Taiwan (3) Bachelor Degree in Accounting, Fu Jen Catholic University, Taiwan (4) Partnership Accountant of BDO Taiwan Joint Accounting Firm (5) Lecturer in Ling Tung University and Tunghai University (6) Independent director of Sino-American Silicon Products Inc. (7) Deputy Section Manager of Finance Division, Administration Department of The Far Eastern Group	(1) Partnership Accountant of EnWise CPAs & Co. (2) A member of Remuneration Committee in Lelon Electronics Corp. (3) A member of Remuneration Committee in Liton Technology Corp. (4) Independent director of Quaser Machine tools Inc.	—	—	—	—

Note 1: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers): Not applicable.

3.2.1.2 Major shareholders of Institutional Shareholders: None.

3.2.1.3 Criteria for Expertise and Independence of Directors and Supervisors

Qualifications Name	Meet One of the Following Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)												Concurrently Serving as an Independent Director / Number of Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Dai, Hung-Chuan		✓	✓					✓	✓	✓	✓	✓		✓	✓	0
Tsao, Hsih-Chuan			✓					✓	✓	✓	✓	✓		✓	✓	0
Liu, Yun-Chung	✓		✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Chang, Chun-Shu			✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	0
Tsao, Hung Yu			✓					✓	✓	✓	✓	✓		✓	✓	0
Dai, Hung-I		✓	✓					✓	✓	✓	✓	✓		✓	✓	0
Hung, Chao-Nan		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Huang, Hsiang-Ying	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Kung, Yi-Lu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: A “✓” is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8) Not a director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
- (11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

3.2.2 Information Regarding Management Team

April 20, 2021

Title	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Concurrent Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Remarks (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
General Manager (President)	R.O.C.	Tsao, Hsih-Chung	M	1990.06.01	4,372,243	1.52%	1,283,064	0.45%	0	0	(1) The recipient of the 13th China Youth Career Initiation Honor Award (2) Sun Yat-Sen Institute of Policy Research and Development (the tenth term) (3) Wharton School of the University of Pennsylvania, U.S.A. (4) The 18th director of Food Industry Research and Development Institute (5) Elite Presidents' Camp of Peking University, China	Chairman of Hsih-Yueh Development Co., Ltd.	-	-	-	-
Executive Vice President	R.O.C.	Liu, Yun-Chang	M	1993.03.01	689,303	0.24%	98,641	0.03%	0	0	(1) EMBA, Beijing University, China (2) Department of Distribution Management, National Chin-Yi University of Technology, Taiwan (3) The Outstanding Enterprise Manager Award of R.O.C in 1995 (4) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2002 (5) The Distinguished Alumni Award of National Chin-Yi University of Technology in 2010	-	-	-	-	-
Group Vice President	R.O.C.	Pai, Wen-Pin	M	1993.06.01	12,693	0	0	0	0	0	(1) Graduated from Mingdao High School (2) Completed a Business Management course at Tunghai University	-	-	-	-	-
Group Vice President	R.O.C.	Tseng, Wen-Hua	M	2014.03.01	663	0	0	0	0	0	(1) Graduated from National Chin-yi University of Technology. (2) Completed a Marketing Management course at Tunghai University	-	-	-	-	-
Financial Dept. Group Vice President	R.O.C.	Cheng, Ya-Wen	F	2018.01.01	577,352	0.20%	3,572,019	1.24%	0	0	(1) Graduated from Economics Dept., National Taiwan University (2) Master of Accounting, University of Illinois at Urbana Champaign, U.S.A (3) CPA of Taiwan, U.S.A and Australia	(1) Director of Hon Chuan Investment Co., Ltd. (2) Director of Hon Tong Investment Co., Ltd.	-	-	-	-
Financial Dept. Vice President	R.O.C.	Chuang, Kuei-Ching	F	2018.01.01	18,507	0.01%	0	0	0	0	(1) Graduated from Accountancy Dept., Chungyu Institute of Technology (2) Completed a Financial Management course at Tunghai University	-	-	-	-	-
Packaging Technical Group Vice President	R.O.C.	Lee, Chin-Hsiung	M	2014.03.01	1,299	0	13,769	0	0	0	(1) Graduated from Electronic engineering Dept., National United University (2) Completed a Management course at Asia University	-	-	-	-	-

Title (Note)	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Concurrent Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Remarks (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
SE Asia Regional Headquarter Vice President	R.O.C.	Lai, Shen-Yuan	M	2016.03.29	8,159	0	4,339	0	0	0	(1) Graduated from Sociology Dept., National Taiwan University (2) Special Assistant of Chairman, Chainan Construction Co., Ltd.	-	-	-	-	-
Beverage Technical Group Vice President	R.O.C.	Lu, Ching-Chou	M	2018.01.01	0	0	0	0	0	0	(1) Graduated from Mechanical Engineering Dept., National United University (2) EMBA of National Chung Hsing University	-	-	-	-	-
Chief Auditor/Senior Assistant Vice President	R.O.C.	Hsieh, Hung-Lung	M	2009.08.11	613	0	489	0	0	0	(1) Graduated from Industrial Management Dept., National Taiwan University of Science and Technology (2) MBA of National Yunlin University of Science and Technology (3) The 1 st Taiwan industrial excellence manager Award	-	-	-	-	-
Sales Dept. Senior Assistant Vice President	R.O.C.	Fang, Yu-Lung	M	2009.01.01	1,153	0	1,000	0	0	0	(1) Graduated from Chemical Engineering Dept., Shu-te University (2) Sales Manager, The Key Industrial Co., Ltd.	-	-	-	-	-
Beverage Technical Group Senior Assistant Vice President	R.O.C.	Lee, Ching-Hsiang	M	2009.07.01	0	0	0	0	0	0	(1) Graduated from Chemical Engineering Dept., National Taipei University of Technology (2) Technical application Specialist, Tetra Pak (3) Manufacturing section manager, Concord Chemical Industrial Co., Ltd.	-	-	-	-	-
General Administration Dept. Senior Assistant Vice President	R.O.C.	Yen, Ching-Chuan	M	2005.09.06	29,685	0.01%	0	0	0	0	(1) Graduated from Chemical Engineering Dept., Tunghai University (2) Vice General Manager, Daodi international Co., Ltd.	-	-	-	-	-
Manufacture Dept. Assistant Vice President	R.O.C.	Hung, Min-Hsiung	M	2013.10.08	33,344	0.01%	102,584	0.04%	0	0	Graduated from Executive Master of Business Administration(EMBA), Ling Tung University	-	-	-	-	-
SE Asia Regional Headquarter Senior Assistant Vice President	R.O.C.	Ting, Chih-Hao	M	2013.05.01	9,041	0	0	0	0	0	Graduated from Business Administration Dept., Feng Chia University	-	-	-	-	-
R&D Technical Dept. Senior Assistant Vice President	R.O.C.	Tsao, Chien-Hsia	M	2013.10.08	9,372	0	0	0	0	0	Graduated from Professional Master's Program for Intelligent Manufacturing and Management, Feng Chia University	-	-	-	-	-
Beverage Technical Group Assistant Vice President	R.O.C.	Cheng, Chih-Hung	M	2016.04.01	0	0	461	0	0	0	Master degree of Food Science Dept., National Pingtung University of Science and Technology	-	-	-	-	-
Quality Assurance Dept. Assistant Vice President	R.O.C.	Tsai, Yung-Fu	M	2019.02.01	0	0	0	0	0	0	Master degree of Business Administration Dept., Asia University	-	-	-	-	-

Sales Dept. Assistant Vice President	R.O.C.	Liu, Li-Yuan	M	2019.02.01	0	0	0	0	0	0	Graduated from Chemical Engineering Dept., Yeong-Jing Industrial Vocational High School	-	-	-	-	-
Sales Dept. Assistant Vice President	R.O.C.	Pai, Hsien-Wei	M	2019.02.01	0	0	0	0	0	0	Graduated from Accounting and Statistics Dept., Ling Tung University	-	-	-	-	-
Human Resource Dept. Assistant Vice President	R.O.C.	Lin, Tsang-Pin	M	2020.01.10	164,358	0.06%	0	0	0	0	Master degree of Labor Relations Dept., National Chung Cheng University	-	-	-	-	-
Sales Dept. Assistant Vice President	R.O.C.	Lin, Wei-Hsiang	M	2020.01.10	2,500	0	0	0	0	0	Graduated from International Business Dept., Feng Chia University	-	-	-	-	-
Manufacture Dept. Assistant Vice President (Note 2)	R.O.C.	Huang, Chun-Hao	M	2021.01.01	21,000	0.01%	0	0	0	0	Graduated from Dept. of Electrical Engineering, National Formosa University (Provincial Yunlin Institute of Technology)					
Beverage Technical Group Technical Dept. Senior Assistant Vice President (Note 2)	R.O.C.	Li, Kun-Chang	M	2020.07.01	0	0	0	0	0	0	Graduated from Taichung Municipal Sha-Lu Industrial High School					

Note 1: The scope of application of managers is according to the explanation in Taiwan-Finance-Securities-(III)-0920001301 of Ministry of Finance, which includes the following:

- (1) General managers or their equivalents
- (2) Assistant general managers or their equivalents
- (3) Deputy assistant general managers or their equivalents
- (4) Chief financial
- (5) Chief accounting officers
- (6) Other persons authorized to manage affairs and sign documents on behalf of a company

Note 2: On July 1, 2020, Huang, Chun-Hao was promoted to Deputy Vice President, and was promoted to Assistant Vice President from deputy on January 1, 2021.

On July 1, 2020, Li, Kun-Chang Senior Assistant Vice President was transferred from the China Headquarters.

Note 3: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers): Not applicable.

3.3 Remuneration of Directors, Supervisors, President, and Vice President in the most recent year

3.3.1 Remuneration of Directors and Independent Directors

December 31, 2020
Unit: NTD\$ Thousand

Title	Name	Remuneration for Directors								Total of A, B, C and D as % of Net Profit		Compensation Earned as Employee of HON CHUAN or HON CHUAN Subsidiary Affiliates								A、B、C、D、E、F and G as % of Net Profit		Compensation Received from Non-consolidated From HON CHUAN Affiliates
		Salary (A)		Pension (B)(Note1)		Compensation (C)		Allowance (D)				Salary, Bonus etc. (E)		Pension (F)		Employee Profit Sharing (G)						
		From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN		From All Consolidated Entities		From HON CHUAN	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairmen	Dai, Hung-Chuan	0	0	0	0	12,786	12,786	0	0	0.77%	0.77%	9,799	23,115	159	159	3,370	0	3,370	0	1.58%	2.38%	-
Director and General Manager	Tsao, Hsih-Chung																					
Director	Tsao, Hung Yu																					
Director	Dai, Hung-I																					
Director	Chang, Chun-Shu																					
Director	Liu, Yun-Chang																					
Independent Director	Hung, Chao-Nan	0	0	0	0	1,800	1,800	0	0	0.11%	0.11%	0	0	0	0	0	0	0	0	0.11%	0.11%	-
Independent Director	Huang, Hsiang-Ying																					
Independent Director	Kung, Yi-Lu																					

Note 1: Pension was recorded as expenses and appropriated in 2020.

Note 2: Describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: In accordance with the Company's Articles of Incorporation, the remuneration of independent directors are based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry, and authorized to be passed by the board of directors.

Remuneration Brackets

Range of Remuneration	Names of Directors			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	From HON CHUAN	From All Consolidated Entities H	From HON CHUAN	From All Consolidated Entities I
Less than NT\$ 1,000,000	Hung, Chao-Nan Huang, Hsiang-Ying Kung, Yi-Lu	Hung, Chao-Nan Huang, Hsiang-Ying Kung, Yi-Lu	Hung, Chao-Nan Huang, Hsiang-Ying Kung, Yi-Lu	Hung, Chao-Nan Huang, Hsiang-Ying Kung, Yi-Lu
NT\$ 1,000,000 ~ NT\$ 1,999,999	Liu, Yun-Chang Tsao, Hung Yu Dai, Hung-I Chang, Chun-Shu	Liu, Yun-Chang Tsao, Hung Yu Dai, Hung-I Chang, Chun-Shu	Dai, Hung-I Chang, Chun-Shu	Dai, Hung-I Chang, Chun-Shu
NT\$ 2,000,000 ~ NT\$ 3,499,999	Dai, Hung-Chuan Tsao, Hsih-Chung	Dai, Hung-Chuan Tsao, Hsih-Chung	Tsao, Hung Yu	Tsao, Hung Yu
NT\$ 3,500,000 ~ NT\$ 4,999,999	0	0	Liu, Yun-Chang	Liu, Yun-Chang
NT\$ 5,000,000 ~ NT\$ 9,999,999	0	0	Dai, Hung-Chuan Tsao, Hsih-Chung	0
NT\$ 10,000,000 ~ NT\$ 14,999,999	0	0	0	Dai, Hung-Chuan Tsao, Hsih-Chung
NT\$ 15,000,000 ~ NT\$ 29,999,999	0	0	0	0
NT\$ 30,000,000 ~ NT\$ 49,999,999	0	0	0	0
NT\$ 50,000,000 ~ NT\$ 99,999,999	0	0	0	0
Over NT\$ 100,000,000	0	0	0	0
Total	9	9	9	9

3.3.2 Remuneration of Supervisors: Not applicable.

3.3.3 Compensation of General Manager and Senior Vice President

December 31, 2020
Unit: NTD\$ Thousand

Unit: NTDs thousand														
Title	Name	Salary (A)		Pension (B)		Special allowances (C)		Profit Sharing- Employee Bonus (D)				Total of A, B,C and D as % of Net Profit		Compensation Received from Non-consolidated From HON CHUAN Affiliates
		From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN		From All Consolidated Entities		From HON CHUAN	From All Consolidated Entities	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
General Manager (President)	Tsao, Hsih-Chung	26,803	36,821	311	311	0	0	15,160	0	15,160	0	2.55%	3.16%	—
Executive Vice President	Liu, Yun-Chang													
Group Vice President	Pai, Wen-Pin													
Group Vice President	Tseng, Wen-Hua													
Financial Dept. Group Vice President	Cheng, Ya-Wen													
Vice President	Lee, Chin-Hsiung													
Vice President	Lai, Shen-Yuan													
Vice President	Chuang, Kuei-Ching													
Vice President	Lu, Ching-Chou													

Note: The Company has accrued pension expenses for 2020 and made pension contributions totaling NTD\$ 308 thousand (including NTD\$ 113 thousand under the new system and NTD\$ 198 thousand under the old system).

Compensation Brackets

Range of Compensation	Names of President and Vice President	
	From HON CHUAN	From All Consolidated Entities
Less than NT\$ 1,000,000	0	0
NT\$ 1,000,000 ~ NT\$ 1,999,999	0	0
NT\$ 2,000,000 ~ NT\$ 3,499,999	Liu, Yun-Chang Lai, Shen-Yuan Lu, Ching-Chou Chuang, Kuei-Ching	Liu, Yun-Chang Lai, Shen-Yuan Lu, Ching-Chou Chuang, Kuei-Ching
NT\$ 3,500,000 ~ NT\$ 4,999,999	Lee, Chin-Hsiung	Lee, Chin-Hsiung
NT\$ 5,000,000 ~ NT\$ 9,999,999	Tsao, Hsih-Chung Cheng, Ya-Wen Pai, Wen-Pin Tseng, Wen-Hua	Pai, Wen-Pin Cheng, Ya-Wen Tseng, Wen-Hua
NT\$ 10,000,000 ~ NT\$ 14,999,999	0	Tsao, Hsih-Chung
NT\$ 15,000,000 ~ NT\$ 29,999,999	0	0
NT\$ 30,000,000 ~ NT\$ 49,999,999	0	0
NT\$ 50,000,000 ~ NT\$ 99,999,999	0	0
Over NT\$ 100,000,000	0	0
Total	9	9

3.3.4 Employees' Profit Sharing Bonus Paid to Management Team

December 31, 2020

Unit: NTD\$ Thousand

	Title	Name	Stock	Cash	Total Employees' Profit Sharing Bonus	Total Employees' Profit Sharing Bonus Paid to Management Team as a % of Net Profit
Management Team	General Manager	Tsao, Hsih-Chung	-	19,830	19,830	1.20%
	Executive Vice President	Liu, Yun-Chang				
	Group Vice President	Pai, Wen-Pin				
	Group Vice President	Tseng, Wen-Hua				
	Financial Dept. Group Vice President	Cheng, Ya-Wen				
	Packaging Technical Group Vice President	Lee, Chin-Hsiung				
	Beverage Technical Group Vice President	Lu, Ching-Chou				
	Financial Dept. Vice President	Chuang, Kuei-Ching				
	SE Asia Regional Headquarter Vice President	Lai, Shen-Yuan				
	Chief Auditor Senior Assistant Vice President	Hsieh, Hung-Lung				
	Sales Dept. Senior Assistant Vice President	Fang, Yu-Lung				
	Beverage Technical Group Senior Assistant Vice President	Lee, Ching-Hsiang				
	General Administration Dept. Senior Assistant Vice President	Yen, Ching-Chuan				
	Beverage Technical Group Technical Dept. Senior Assistant Vice President	Li, Kun-Chang				
	SE Asia Regional Headquarter Senior Assistant Vice President	Ting, Chih-Hao				
	R&D Technical Dept. Senior Assistant Vice President	Tsao, Chien-Hsia				
	Technical Dept. Assistant Vice President	Hung, Min-Hsiung				
	Beverage Technical Group Assistant Vice President	Cheng, Chih-Hung				
	Quality Assurance Dept. Assistant Vice President	Tsai, Yung-Fu				
	Sales Dept. Assistant Vice President	Liu, Li-Yuan				
	Sales Dept. Assistant Vice President	Pai, Hsien-Wei				
	Beverage OEM Division Assistant Vice President	Lin, Wei-Hsiang				
	Human Resource Dept. Assistant Vice President	Lin, Tsang-Pin				
	Manufacture Dept. Assistant Vice President	Huang, Chun-Hao				

3.3.5 Analyze the ratio of the total remuneration paid to the Company's directors, supervisors, President, and Vice President in the last two years by the Company and all the consolidated subsidiaries to the net income in the proprietary or individual financial report. Explain the remuneration policy, standards, and combinations, remuneration determination procedures, and the relevance of operating performance and future risks

1. The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice president of the Company, relative to net income.

Title	Total Remuneration as % of 2020 Net Profit		Total Remuneration as % of 2019 Net Profit	
	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities
Directors	1.69%	2.49%	1.71%	2.55%
General Manager and Vice Presidents	2.55%	3.16%	2.83%	3.45%

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and correlation with business performance:
 - (1) According to Article 28 of Articles of Incorporation, annual profit before income tax, employees' compensation, and directors' remuneration shall be resolved by the Board of Directors to set aside a maximum of 3% of said profit as remuneration to directors; evaluation items for performance of the Board and individual directors listed in the Regulation of Self-Evaluation of the Board of Directors are also taken into consideration.
 - (2) In accordance with Article 3 Item 2 Paragraph 1 of Remuneration Committee Charter of the Company, performance evaluation and remuneration to directors and managers shall take factors into account including industry average remuneration, individual's performance (e.g. productivity, work knowledge, work quality, work attitude, interpersonal relationship, and flexibility) regularly evaluated in accordance with the Regulation of Performance Evaluation, the Company's operating performance (e.g. financial indicators and non-financial indicators), and future risk exposure. The remuneration to general manager and vice presidents is determined mainly based on the Company's earnings, while taking into account each individual's participation, contribution and performance, as well as the level of remuneration paid by peers.

3.4 Corporate governance practices and status of compliance

3.4.1 Operations of the Board of Directors

The Board held 6 meetings (A) in 2020 with the attendance record of Board members as follows:

Title	Name	Actual Attendance (B)	Attendance by proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Dai, Hung-Chuan	6	0	100	Re-elected from June 19, 2020
Director	Tsao, Hsih-Chung	5	1	83	Re-elected from June 19, 2020
Director	Liu, Yun-Chang	6	0	100	Re-elected from June 19, 2020
Director	Chang, Chun-Shu	6	0	100	Re-elected from June 19, 2020
Director	Lin, Chuan-Nui	2	0	100	Term of office expired on June 19, 2020. Shall attend 2 times.
Director	Tsao, Hung Yu	4	0	100	Term of office started on June 19, 2020. Shall attend 4 times.
Director	Dai, Hung-I	6	0	100	Re-elected from June 19, 2020
Independent Director	Hung, Chao-Nan	6	0	100	Re-elected from June 19, 2020
Independent Director	Huang, Hsiang-Ying	5	1	83	Re-elected from June 19, 2020
Independent Director	Kung, Yi-Lu	6	0	100	Re-elected from June 19, 2020

Other required information:

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
 - (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: since the Company has established the Audit Committee, disclosure required by Article 14-3 is not applicable. For explanations on the matters, please see the Operations of the Audit Committee.
 - (2) Any resolution, to which an independent director objects or expresses reservations, has been recorded or declared in writing: None.
- If there is any directors' avoidance of motion in conflict of interest, the directors' name, content of motion, cause for avoidance and voting should be specified: Before the motions are read, the master of ceremonies will remind the directors who have a personal interest in the motion to depart from the field in each board meeting. In the year 2020 up to the date of publication of the annual report, total 8 board meetings were held and all were conducted in accordance with Rules and Procedures for Meetings of the Board of Directors. There was no directors' avoidance of motion in conflict of interest in the 8 board meetings, so no director is required to avoid the motion in conflict of interest.
- TWSE/TPEX Listed Companies shall disclose such information as the evaluation cycle, evaluation periods, scope, method and content of the Board of Directors' self-evaluation

or peer evaluation, and fill in the implementation status of the Board of Directors' evaluation. The Company has established the "Regulation of the Self-Evaluation of the Board of Directors". Self-assessments on Board operations, functional committees and Board members are conducted via surveys on annual basis. The implementation of 2020 performance evaluation for the Board is as follows:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Performance evaluation form January 1, 2020 to December 31, 2020	Evaluation of the board of directors and individual directors	Internal evaluation of the board	<p>(1) The board performance evaluation of the Company includes five aspects:</p> <ul style="list-style-type: none"> ■ Participation in the operation of the company ■ Improvement of the quality of the board of directors' decision making ■ Composition and structure of the board of directors ■ Election and continuing education of the directors ■ Internal control <p>(2) The individual directors evaluation of the Company includes six aspects:</p> <ul style="list-style-type: none"> ■ Alignment of the goals and missions of the company ■ Awareness of the duties of a director; ■ Participation in the operation of the company ■ Management of internal relationship and communication ■ The director's professionalism and continuing education ■ Internal control
Once a year	Performance evaluation form January 1, 2020 to December 31, 2020	Evaluation of the Audit Committee	Internal evaluation of the Audit Committee	<p>(3) The Audit Committee evaluation includes five aspects:</p> <ul style="list-style-type: none"> ■ Participation in the operation of the company ■ Awareness of the duties of the Audit Committee ■ Improvement of quality of decisions made by the Audit Committee ■ Makeup of the Audit Committee and election of its members ■ Internal control
Once a year	Performance evaluation form January 1, 2020 to December 31, 2020	Evaluation of the Remuneration Committee	Internal evaluation of the Remuneration Committee	<p>(4) The Remuneration Committee evaluation includes four aspects:</p> <ul style="list-style-type: none"> ■ Participation in the operation of the company ■ Awareness of the duties of the Remuneration Committee ■ Improvement of quality of decisions made by the Remuneration Committee ■ Makeup of the Remuneration Committee and election of its members

The results of the Company's 2020 Board performance evaluation are great, and any suggestions for improvements were reported to the Board of Directors on March 23, 2021.

4. Measures taken to strengthen the functionality of the Board of Directors in recent years and implementation status:

(1) Strengthen the functionality of the Board of Directors:

The Company established functional committees, including the Remuneration Committee (established on 15 March 2012) and the Audit Committee (established on 15 June 2017), in order to strengthen the functionality of the Board of Directors. The independent directors as well as the members of the Remuneration Committee, have a wide range of expertise in accounting, finance, business and law, and often provide effective and professional advice on issues relating to corporate finance, management, new investment plans, internal control and risk control at board meetings; The committee members in accordance with his/her professionalism and independence, make review comments to the Board of Directors in order to ensure the appropriateness of the Company's financial and non-financial reports, the effectiveness of the internal control system, and the reasonableness of the performance evaluation and remuneration of the Company's directors and managers.

(2) Diversity of the Board of Directors

According to Article 20 of Corporate Governance Best Practice Principle of the Company, the composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. There are nine seats in the Board of Directors, and all of them possess various professional background and work domain:

- The percentage of the Company's directors who are employee is 33%. The percentage of independent directors is 33%. 11% of directors are female. The three independent directors were all appointed for the first time on June 15, 2017 and the term of office is under 3 years.
- Normal director members: composed of members with rich industry experience and professional skills. Not only do many of them have higher education degree such as Master Degree in Structural Engineering, University of California, Berkeley, U.S.A, Master Degree in Urban Design, University of Sydney, Australia, EMBA of Beijing University, China, but they are also award-winning leaders in different industries.
- Independent director members: composed of the members who possess professional background, expertise and industrial experience, such as Master Degree in Politics, Arkansas State University, U.S.A, Ph. D. in Public Finance and Economics, Central University of Finance and Economics, Peking, China and Master Degree in Accounting, Soochow University, Taiwan. They also have diverse professional backgrounds and skills, such as legislator for eight consecutive terms, member of the Control Yuan, the senior certified public accountant, and the general auditor of finance holding company.
- Hon Chuan's Board of Directors consist of members with different backgrounds and professional skills, and we are concerned about gender equality among board members. As the Company set a target of more than 10 percent of female directors, the current Board has one female director, our target, therefore, has been achieved.

Diversity items Name of Directors	Gender	Employee of the Company	age			Operational judgment	Management administration	Leadership and policy decision	Accounting and financial	Industry experience	Crisis management	International market perspective
			Under 60	61 to 70	Over 70							
Dai, Hung-Chuan	M		✓			✓	✓	✓		✓	✓	✓
Tsao, Hsih-Chung	M	✓		✓		✓	✓	✓		✓	✓	✓
Chang, Chun-Shu	F				✓	✓			✓	✓	✓	✓
Dai, Hung-I	M		✓			✓	✓	✓			✓	✓
Liu, Yun-Chang	M	✓		✓		✓	✓	✓		✓	✓	✓
Tsao, Hung-Yu	M	✓	✓			✓	✓	✓		✓	✓	✓
Hung, Chao-Nan	M				✓	✓	✓	✓			✓	✓
Huang, Hsiang-Ying	M			✓		✓	✓	✓	✓		✓	✓
Kung, Yi-Lu	M			✓		✓	✓	✓	✓		✓	✓

(3) Improve information transparency

The Company has established a comprehensive spokesman system to ensure timely disclosure of all material Information for the reference of shareholders and stakeholders on the financial position and operation of the Company. The Company's website is constantly updated to provide timely information of operations, financial standing and corporate governance to ensure that shareholders have access to the latest information.

(4) Liability insurance for directors and managers:

In order to reduce the legal and financial burden of management team and lessen the possible damage to directors and the Company on exercising their duties, the Company has, since 2010, purchased liability insurance for directors and management team. The current insured amount is US\$7 million, and the insurance expires in January 2021 and has been renewed and approved by the Board on March 23, 2021.

(5) The implementation status of the Board of Directors' functionality:

- To actively promote corporate governance, the Company reported the implementation status of promoting ethical management affairs to the Board of Directors on March 23, 2020, and amended part of Ethical Corporate Management Best Practice Principles and Corporate Social Responsibility Best Practice Principles.
- To implement the internal control systems, the Board of Directors passed the Operating Procedures for Handling Material Inside Information and Preventing Insider Trading on March 23, 2020.
- To strengthen the functionality of the Board of Directors, the amendment of the Regulation of the Self-Evaluation of the Board of Directors was approved by the Board of Directors on March 23, 2021.
- On March 23, 2021, the Board of Directors resolved to appoint the corporate governance officer responsible for provision of information required for performance of duties by the directors and assistance in complying with laws and regulations.

3.4.2 Operations of Audit Committee and the participation of supervisors in the Board operation

1. Operations of Audit Committee

(1) The operation of Audit Committee: The Audit Committee of the Company consists of 3 independent directors with diversified professional background and financial expertise such as—legislator for eight consecutive terms, member of the Control Yuan, senior certified public accountants, and general auditor of finance holding company. The Audit Committee holds meetings before board meetings regularly every quarter, and reviews the following matters:

- Review financial reports, business report, profit distribution proposal.
- Review the effectiveness of internal control system.
- Review the adoption of or any amendment to the relevant regulations of internal control system.
- Review the material investment of the Company, adoption or amendment of acquisition or disposal of assets pursuant to Article 36-1
- Review the offering, issuance, or private placement of any equity-type securities of the Company.
- Review handling procedures for financial or operational actions of material significance, such as derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- Review the matter bearing on the personal interest of directors.
- Review the hiring or dismissal of an attesting CPA, or the compensation given thereto.
- Review the appointment or discharge of a financial, accounting, or internal auditing officer.
- Review the assessment report of the independence and suitability of the CPA engaged by the Company.
- Review the internal audit report.

(2) The Audit Committee, comprising 3 independent directors, was set up on June 15, 2017, and assists the Board of Directors in supervising fair presentation of the financial reports of this Corporation, reviewing the assessment report on the independence and competency of the CPA firm, effectiveness of internal control, compliance with relevant laws and regulations, risk management and so on.

Audit Committee held 4 meetings (A) in 2020 with the attendance record of members as follows:

Title	Name	Actual attendance (B)	Authorized attendance	Actual attendance Rate (%) (B/A)	Remarks
Chairman	Hung, Chao-Nan	4	0	100	-
Member	Huang, Hsiang-Ying	3	1	75	-
Member	Kung, Yi-Lu	4	0	100	-

Other required information:

1. If any of the following circumstances occurs in the operation of the Audit Committee, the date, period, content of the proposals, the Audit Committee's resolution, and the Company's handling of Audit Committee members' opinions shall be stated:

■ Matters listed in Article 14-5 of the Securities and Exchange Act.

Meeting Date of Audit Committee	Content of Motion	Members' opinion to resolutions and the Company's response
2020.03.23	1. Resolved the 2019 Financial reports.	Approved by all members of Audit Committee
	2. Resolved 2019 profit distribution.	
	3. Resolved the amendment of Audit Committee Charter.	
	4. Resolved decrease of corporate guarantee for subsidiaries.	
2020.05.08	1. Resolved to decrease the amount of cash capital increase of Hon Chuan (China) Holdings Co., Ltd.	Approved by all members of Audit Committee
2020.08.11	1. Resolved the 2020 first half financial reports.	Approved by all members of Audit Committee
	2. Resolved adjustment of corporate guarantee for subsidiaries.	
2020.11.10	1. Resolved the amendment of "Corporate Governance Best Practice Principle"	Approved by all members of Audit Committee
	2. Resolved decrease of corporate guarantee for subsidiaries.	

■ Besides above circumstance, any resolutions which are not resolved by Audit Committee but are approved by more than 2/3 of all directors: None.

2. If there is any independent directors' avoidance of motion in conflict of interest, the independent directors' name, content of motion, cause for avoidance and voting should be specified: In the year 2020 up to the date of publication of the annual report, total 6 auditing meetings were held. There was no independent directors' avoidance of motion in conflict of interest in the 6 meetings, so no independent director is required to avoid the motion in conflict of interest.

3. Communication between independent directors and the chief internal auditor and CPAs (must include material matters of communication, methods, results relating to the Company's financial reports and business conditions):

(1) The communication status between independent directors and the chief audit

Date	Meeting	Item discussed	Opinion of Independent Directors
2020.03.23	Auditing meeting	1. Reviewed the Audit report and Defects follow-up report. 2. Reviewed the Company's 2019 Management's reports on internal control.	All independent directors had no opinion
2020.05.08	Auditing meeting	Reviewed the Audit report and Defects follow-up report.	All independent directors had no opinion
2020.08.11	Auditing meeting	Reviewed the Audit report and Defects follow-up report.	All independent directors had no opinion
2020.11.10	Auditing meeting	1. Reviewed the Audit report and Defects follow-up report. 2. Reviewed the Company's 2021 Annual audit plans.	All independent directors had no opinion
2021.03.23	Auditing meeting	1. Reviewed the Audit report and Defects follow-up report. 2. Reviewed the Company's 2020 the Statement of Internal Control System	All independent directors had no opinion

(2) The communication status between independent directors and CPAs

Date	Meeting	Item discussed	Opinion of Independent Directors
2020.03.23	Auditing meeting	1. Discussed about the content, adjusting entries of 2019 individual and consolidated financial statements and auditors' report. 2. Report of regulatory changes.	All independent directors had no opinion
2020.08.11	Auditing meeting	1. Discussed about the content, adjusting entries of the 2020 first half financial statements and auditors' report. 2. Report of regulatory changes.	All independent directors had no opinion
2021.03.23	Auditing meeting	1. Discussed about the content, adjusting entries of 2020 individual and consolidated financial statements and auditors' report. 2. Report of regulatory changes.	All independent directors had no opinion

2. Supervisors' participation in the operation of the Board of Director:

The Company established the Audit Committee in 2017 to replace the supervisor, so it's not applicable.

3.4.3 The Company's implementation of corporate governance and its deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
1. Has the Company developed and disclosed corporate governance guidelines based on TWSE regulation?	V		The Company has drawn up "Corporate Governance Best-Practice Principles" based on TWSE regulation, which was amended by the Board of Directors on November 10, 2020. The Company has disclosed on its official website (www.honchuan.com.tw) and the Market Observation Post System important management policies regarding protecting shareholders' rights, enhancing the responsibilities of the board of directors, respecting stakeholders' rights, elevating information transparency and so forth.	None
2. Shareholding Structure & Shareholders' Rights:				
(1) Has the Company developed and implemented internal operating processes in managing shareholders' advice, doubt, argument and lawsuit?	V		(1) The Company has designated spokesperson and Acting Spokesperson for handling shareholders' proposal, doubts, disputes and other related matters. Also, it sets up a specific mailbox to deal with shareholders' requests and other related matters in investor relationship section on the Company's website.	None
(2) Does the Company possess a list of major shareholders and a list of owners of these major shareholders?	V		(2) According to shareholders' list offered by stock affairs agency, the Company possesses a list of major shareholders and a list of owners of these major shareholders and declares insider shareholding outstanding regularly.	None
(3) Has the Company established and implemented with its affiliates risk management and firewall system?	V		(3) It is included in the Company's internal control system. Personnel doing business within affiliates are considered as independent third party so as to prevent abnormal trading.	None
(4) Does the Company have a code of conduct to prevent the trading of company's stock by insiders with access to nonpublic information?	V		(4) The Company has drawn up "Procedures for Handling Material Inside Information", "Ethical Conduct Codes of Directors, Supervisors and Managers", "Ethical Corporate Management Best Practice Principles", "Operating Procedures for Handling Material Inside Information and	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
			Preventing Insider Trading” and so forth, in order to establish policies of information process and disclosure, prevent information being spilled improperly, make sure the information which the Company discloses publicly consistent and accurate, prevent insider trading from happening.	
3. Composition and Responsibilities of the Board of Directors:				
(1) Has the Board of Directors developed and implemented diverse corporate policies regarding the composition of members?	V		(1) Based on “Corporate Governance Best-Practice Principles”, the Company has formulated an appropriate policy on diversity to select candidates with the knowledge, skills, and disposition necessary to perform the duties to be its directors according to their industry and professional background and the field of work and experience of individuals, which is helpful to the overall development and operation of the Company. Since the Company focuses on gender equity among the Board members, we have set up a target of more than 10 percent of female director, and the target has been achieved while the current Board has one female director. For more details, please refer to Page 29.	None
(2) Besides existing Remuneration Committee and Audit Committee, is the company voluntarily setting up other functional committees?		V	(2) Besides existing Remuneration Committee and Audit Committee, the Company is evaluating to set up other functional committee.	Other functional committee is being evaluated to set up. Conform to Corporate Governance Best-Practice Principles.
(3) Does the company have performance evaluation policy for the Board of Directors? Is the evaluation being conducted annually and regularly?	V		(3) The Company amended “Regulations Governing the Board Performance Evaluation” on March 23, 2021. According to the evaluation indexes, the Company has conducted the 2020 Board performance evaluation and self-evaluation by the board members of themselves or peers, and the results have been reported to the Board of Directors on March 23, 2021. The results of the evaluation are excellent. The advices and improvements to the Board of Directors include assisting all directors to attain the required hour of continuing education in accordance of	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
(4) Does the Company evaluate certified public accountants' level of independence regularly?	V		regulations, and organizing various courses apart from professional skills for directors. The Company will devote to improve and enhance the functions of the Board of Directors. (4) In order to strengthen the Company's corporate governance, according to Article 29 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", a TWSE/TPEX listed company shall evaluate the independence and suitability of the CPA engaged by the company regularly. The 2020 CPAs independence evaluation of the Company has been completed and resolved by the Board of Directors on March 23, 2021, in order to implement corporate governance and enhance the functions of the Board of Directors. For CPAs independence evaluation results, please refer to Note 1.	None
4. Whether the listed company sets up a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to provide the information required by directors and supervisors, to assisting directors and supervisors with regulatory compliance, to handle the matters relating to the Board of Directors' and the shareholders' meeting to keep minutes during the Board of Directors' and the shareholders' meeting)?	V		On March 23, 2021, the Board of Directors of the Company resolved to appoint Ms. Chuang, Kuei-Ching, the Vice President of the Financial Department, as the corporate governance officer with more than three years of experience as the supervisor of finance and shareholder services at public companies. The main duties of this position are to handle of matters relating to Board of Directors meetings and shareholders meetings in compliance with law, preparation of minutes of Board of Directors meetings and shareholders meetings, assistance in onboarding and continuing education of the directors, provision of information required for performance of duties by the directors, assistance to the directors in complying with laws and regulations, assistance in Board performance evaluation and so forth.	None
5. Has the Company formed channel of communication with stakeholders (including but not limited to shareholder, employee, customer, supplier and so on), set up stakeholders' section	V		The Company's website has a stakeholders section, which provides exclusive communication channels for different stakeholders (including employees, investors / media, customers, purchasing vendors / cooperative vendors / banks,	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
on the website, and responded properly to major corporate social responsibility issues of which they are concerned?			etc.) in order to respond those major corporate social responsibility issues of which stakeholders are concerned. For details, please refer to the Compsany's website to download the corporate social responsibility report.	
6. Does the Company assign professional stock affairs' agency in handling its affairs related to shareholders' meeting?	V		The Company appoints Stock Affairs Department of KGI Securities in handling the affairs related to shareholders' meeting, also, sets up Investor Relations Office to deal with related matters.	None
7. Information Disclosure: (1) Has the Company set up website to disclose finance, sales and corporate governance information?	V		(1) The Company's website has both Chinese and English versions. Also, there is an investor relationship section to disclose finance, sales and corporate governance information.	None
(2) Does the Company have any other way of information disclosure, such as setting up an English website, appointing appropriate person to collect and disclose information, implementing fully spokesperson system and webcasting investor conference?	V		(2) The Company establishes a spokesperson system to speak publicly in consistency, and Investor Relations Office which is responsible for collecting related information about the Company, disclosing and reporting material information, uploading information, pictures and PowerPoints of investor conference in Investors' section on the Company's website.	None
(3) Does the company announce and file annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V		(3) The Company publicly announced and filed the 2020 financial statements in March, 2021, and publicly announced and filed the first, second, and third quarter financial statements of 2020 as well as the operating status of each month within the prescribed deadline.	The Company will carefully evaluate the probability of public announcement and filing of the annual financial statements within two months after the fiscal year end.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights & care, investor relation, supplier relation, rights of stakeholders, directors' and supervisors' training record, implementation of risk management policy and risk measurement standard, implementation of customer policy and liability insurance for directors and supervisors)?	V		1. Employee rights: The Company sets up Employee Welfare Committee to protect employee rights and provides comprehensive training, talent cultivation and promotion system. 2. Employee care: The Company takes employee's physical and mental health into deep consideration. It offers dormitory, coffee bookstore, recreational facilities and Medical office (with professional medical staff, and doctor	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
			<p>comes on-site regularly). Also, it sets up Labor Safety and Health Committee, which is responsible for employees' safety and health affairs and assistance of those physical and mental health problems. Moreover, it creates various complaint systems for employees to express opinions (monthly meeting, President mailbox, employee satisfaction survey and so on), and gives appropriate respond and improvement.</p> <p>3. Investor relation: The Company continues to maintain positive interaction with investors, including building up an investor relations zone on the website, disclosing prompt financial information, holding investor conference more than once a season, attending investment forum irregularly, setting up investment service team and implementing fully spokesperson system to form diverse communication channels with investors.</p> <p>4. Supplier relation & Rights of stakeholders: The Company has identified major stakeholders through internal meetings and discussions with the CSR committee. Also, the Company sets up the consultation and communication channels with stakeholders, assigns a personnel to receive, record, reply the diverse messages from stakeholders and corresponding response. The Company publicly discloses the communication information with stakeholders via its website. It also keeps a great conversation and communication with suppliers and stakeholders via diverse communication channels and information disclosure.</p> <p>5. Directors' and supervisors' continuing training status: All directors of the Company have professional industry background and practical experience of business management, and they participate in further studies irregularly.</p> <p>6. Implementation status of risk management identification: A. The Company assesses the risk of the environmental,</p>	

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
			<p>social and corporate governance issues that may affect the operation of the Company and formulates the relevant countermeasures. For details, please refer to the Company's website to download the corporate social responsibility report.</p> <p>B. Any significant issues in regards to operating policy, investment, endorsement, loan and financing are evaluated by the designated departments and exercised the resolution that resulted from the Board meetings. Moreover, yearly auditing plan is drafted based on the result of risk assessed and executed in order to effectively carry out the supervision as well as control the risks.</p> <p>Please refer to page 245 to 251 "analysis and assessment of risk items" in this annual report.</p> <p>7. Implementation of customer policy: The Company devotes to quality improvement and vertical integration and provides complementary services in every aspect, thus its customers may focus on brand management, channel expansion and enhancement of market competition advantages. Please refer to page 87 to 95 "overview of market, production and sales" in this annual report.</p> <p>8. Liability insurance for directors and supervisors: The Company purchases liability insurance for all directors (independent directors) every year, the insured amount is USD 7 million now. The major contents of liability insurance, which expired and then renewed in January 2021, such as the insured period, insured amount, coverage, premium rate and so on have been resolved by the Board of Directors on March 23, 2021.</p>	

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies	
	Yes	No	Description		
9. According to the result of Corporate Governance Evaluation issued in the most recent year by Corporate Governance Center of Taiwan Stock Exchange, please explain the improvement status, and give priority to matters and measures that have not yet been improved:					
No	Index		Improvement Status		
1.7	Does the Company upload shareholders' meeting agenda handbook and supplemental materials 30 days before convening a shareholders' meeting?		Since the status of share repurchase program in 2020 should be recorded in the shareholders' meeting agenda after the end of period for repurchase (March 24 to May 22), the shareholders' meeting agenda could not be uploaded 30 days before the meeting. Such a situation will not occur in 2021.		
1.9	Does the Company upload the English version of shareholders' meeting agenda handbook and supplemental materials 30 days before convening a shareholders' meeting?		Same as above.		
2.15	Does the Company disclose communication between independent directors and the chief internal auditor and CPAs (include material matters of communication, methods, results relating to the Company's financial reports and business conditions) on the Company website?		In 2021, the Company will disclose the communication between independent directors and the chief internal auditor and CPAs on the Company website.		
2.21	Does the Company appoint the corporate governance officer in charge of corporate governance affairs and disclose the scope of authority, duties of the current year, the status of continuing education on the Company website and annual report?		The Company has announced the appointment of the corporate governance officer by the Board of Directors on March 23, 2021. Please refer to page 60.		
2.22	Does the Company establish risk management policy and process approved by the Board of Directors to disclose the scope of risk management, its organizational structure and its operations?		The issue will be further discussed		
2.27	Does the Company formulate intellectual property management plans related to operational goals, disclose the implementation on the Company website and annual report, and regularly report to the Board at least once a year?		The issue will be further discussed		

Note 1: The criteria to examine the independency of the CPAs

No	Evaluation Item	Result	Independency
1	Whether the appointed CPA has a direct or significant indirect financial interest relationship with the Company.	No	Yes
2	Whether the appointed CPA has any inappropriate relationship with the Company.	No	Yes
3	Whether there is any financing or guarantee relationship between the appointed CPA and the Company or the supervisors of the Company.	No	Yes
4	Whether the appointed CPA receives any commissions related to the business.	No	Yes
5	During the audit period, whether the appointed CPA oneself and one's spouse or dependent relatives is the supervisor, manager of the Company or serving the position which has significant impact on the audit case.	No	Yes
6	Whether the appointed CPA is the defendant of the Company or on behalf of the Company for coordinating the conflict with other third parties.	No	Yes
7	Whether the appointed CPA accepts any highly valuable gifts from the Company's supervisors or managers.	No	Yes
8	Whether the appointed CPA propagates or intermediates shares or other securities issued by the Company.	No	Yes
9	Whether the appointed CPA holds a part-time work at the Company and receives fixed salary from the Company.	No	Yes
10	Whether or not the appointed CPA is jointly investing or sharing the interests of the Company.	No	Yes
11	Whether the appointed CPA is involved in the management competency of the Company.	No	Yes
12	Whether the title of appointed CPA has been used by others.	No	Yes

3.4.4 Composition, Responsibilities and Operations of Remuneration Committee

3.4.4.1 Information of Remuneration Committee Members

Identity	Terms Name	Over five years of experience and the following professional qualifications			Independence criteria (Note 1)										Serving as a Remuneration Committee member of another public company	Remarks (Note 2)
		University teaching in areas of commerce, law, finance, accounting or related corporate business	Working as a judge, attorney, lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate experiences	1	2	3	4	5	6	7	8	9	10		
Independent director	Hung, Chao-Nan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	-
Independent director	Huang, Hsiang-Ying	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent director	Kung, Yi-Lu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	-

Note 1: A “✓” is marked in the space beneath the respective column when a director or supervisor has met that condition during the two-year prior to election and during his or her period of service; the conditions are as follows.

- (1) Not employed by the Company or an affiliated business.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8) Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Standing does not match any of the scenarios described in Article 30 of the Company Law.

3.4.4.2 Operation status of Remuneration Committee

- (1) There are 3 members in Remuneration Committee of the Company.
- (2) Current term of office: From June 19, 2020 to June 18, 2023. A total of 2 (A) Remuneration Committee meetings were held in 2020.

The qualification and attendance record of the Remuneration Committee members were as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Hung, Chao-Nan	2	0	100%	-
Member	Huang, Hsiang-Ying	1	1	50%	-
Member	Kung, Yi-Lu	2	0	100%	-

Other required information:

1. If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling the opinions proposed by the Remuneration Committee: None.
2. For resolutions approved by the Remuneration Committee regarding which independent director objects or expresses reservations, and has been recorded or declared in writing, the Remuneration Committee meeting date, term, content of the resolution, opinions of all members, and the handling of the opinions of the members: None.

- (3) The meeting contents, resolution results and the Company's handling of the opinions of members of the Remuneration Committee:

Meeting Date of Remuneration Committee	Content of Motion	Resolution and opinion of Remuneration Committee	The Company's response to opinion of Remuneration Committee
2020.03.23	1. Resolved the Company's 2019 directors compensation, year-end bonus and management dividend. 2. Resolved the Company's 2020 promotion of executives.	Approved by all members of Remuneration Committee.	Been submitted to the Board of Directors, and resolved by all present directors.
2020.05.08	1. Resolved the Company's 2019 employees dividend of managers.		

3.4.5 Implementation of Corporate Social Responsibility and Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Item	Implementation Status			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
1. Has the Company conducted risk assessment on environmental, social and corporate governance issues related to business operations of the Company in accordance with the concept of materiality and established relevant risk management policies or strategies?	V		In order to reduce the impact of potential risk losses, the Company has planned that each functional unit shall identify potential risks, assess the environmental, social and corporate governance issues that may affect the Company's operations, and adopt comprehensive risk control and management from all personnel to set up successive lines of defense. When a risk loss occurs, the Company has an internal crisis management team to quickly take corresponding measures and carry out relevant management and control, so as to ensure the survival of the enterprise and quickly resumes normal production and business activities.	None
2. Has the Company established exclusively (or concurrently) dedicated units to implement CSR, and has the board of directors appointed executive-level positions with responsibility for CSR, and to report the status of the handling to the board of directors?	V		The Company upholds the corporate purpose of “Business Reputation, Market Orientation, Employee Welfare, Customer Service, Society Charity, Employee Respect”, and also deeply understands that in addition to the pursuit of stable growth, the Company attaches importance to corporate social responsibility, which is the responsibility of being a corporate citizen. Therefore, the Company formulated and amended the “Corporate Social Responsibility Best Practice Principles” on November 12, 2015 and March 23, 2020. The Company's “Corporate Social Responsibility Promotion Committee” was also established in October 2019, and it was renamed the “Sustainable Development Committee” on May 2021. The main purposes of the Committee is to constantly promote the Company's implementation of ESG (sustainable environment, social participation, corporate governance), increase corporate sustainability capabilities, enhance the Company's corporate image, and fulfill corporate social responsibility. The dedicated unit of the Committee is the General Administration	None

Item	Implementation Status			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
			Department, which is responsible for corporate social responsibility policies and systems, integrating the management policies and specific promotion plans of the implementation teams, and reporting the implementation status to the Board of Directors. The Company officially releases a corporate social report at the end of June every year. For details, please refer to the Company's website.	
3. Sustainable Environment Development: (1) Dose the company develop proper environmental management policy suitable for its industry characteristics?	V		(1) The Company offers beverage packaging products and OEM filling service, and the production processes are related to environmental protection, food safety, and customer health and so on. In order to implement completely social responsibility, comply with national regulations and other requests, it devotes to the prevention of environmental pollution and enhancement of employees' safety and health in work place. Also, it sets up the "Occupational Safety and Health Center" to reach a consensus of "Zero accident and Zero pollution" among all employees. The Company has received many approvals, such as Occupational Health and Safety Management System (ISO45001, CNS45001), Environmental Management System (ISO 14001) and so forth. The Occupational Safety and Health and divisions of air pollution, water pollution and waste are responsible for carrying out related prevention control management affairs.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2) The Company carries out the environmental protection policy from three aspects, which are Reduce, Reuse and Recycle, and actively innovates light-weight of plastic cap and PET bottle to reduce the consumption of raw material and carbon emission. Moreover, Hon Chuan continuously	None

Item	Implementation Status			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
(3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	V		<p>researches and develops the application of biodegradable materials, biomass materials and recyclable materials. In recent years, we have already used the vegetal PET resin to produce the bottles. It's estimated to reduce 63,720 liters of oil consumption and 480 tons of carbon emission every year. Hope to make contribution on the natural sustainability and corporate social responsibility.</p> <p>(3) After assessing the environmental risks, the Company's response to climate change are as follows:</p> <ol style="list-style-type: none"> 1. Purchase goods according to plan and select the supply source, origin and production mode, etc., to avoid the impact of cost due to climate change and natural disasters. 2. Carefully evaluate and actively develop new material sources, in addition to reducing the risk of interruption, and use alternative materials and formulations that are more environmentally friendly. 	None
(4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	V		<p>(4) The Company attaches importance to and actively promotes the issues related to environmental protection, formulates environmental policies and promotes the implementation. Every year, the Company counts the total amount of electricity consumption, greenhouse gas emissions, water consumption and waste disposal and compiles the statistics to set the goals after analysis and evaluation. For details, please refer to the Company's website to download the corporate social responsibility report.</p>	None
4. Social issues: (1) Does the company develop related management	V		(1) The Company complies with International Bill of	None

Item	Implementation Status			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
<p>policies and procedures in compliance with relevant regulations and International Bill of Human Rights?</p> <p>(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?</p> <p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Does the company offer career development</p>	<p></p> <p>V</p> <p>V</p> <p>V</p>	<p></p> <p></p> <p></p> <p></p>	<p>Human Rights, such as gender equality, the right to work and the right to prohibit discrimination, as well as the work rules and regulations stipulated by the Labor Standards Law and relevant regulations, and formulates human resources policies to ensure the rights and interests of workers.</p> <p>(2) The Company has remuneration and various bonus plans. In addition to the basic salary and holiday bonus, the Company also provides employees with rewards according to the Company's operating conditions and the performance of each colleague, including performance bonus, overfulfillment bonus, year-end bonus, project bonus, extra dividend, and so on. Furthermore, the Company has also formulated work rules and related personnel management rules, which are in accordance with Labor Standards Law, Act of Gender Equality in Employment, and so on. The Employee Welfare Committee is responsible for implementation of welfare matters.</p> <p>(3) The Company sets up not only the "Occupational Safety and Health Center" but also the "Occupational Safety and Health Committee" to devote to offer employees a safe and healthy working environment. All measures, such as establishing medical office, arranging attendant medical care, holding annual employee health check, creating labor safety hygiene brochure/monthly report, holding irregular safety & health related speech, onsite operation educational training and disaster prevention drill, have detailed policy and been fully implemented.</p> <p>(4) In order to actively train personnel, the Company</p>	<p></p> <p>None</p> <p>None</p> <p>None</p>

Item	Implementation Status			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
training program to employees?			establishes the “Hon Chuan Academy” to devote to talents cultivation plans. Via various training channels, it provides related professional knowledge and skills for all positions. Hope personal career development and corporate can grow together. Please refer to page 102 to 104 “Labor Relations” in this annual report and the “Human Resource” and “CSR” section on the Company’s website.	
(5) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	V		(5) In order to provide to customer products that meet requirements of customers and the laws and regulations, the Company identifies food safety hazards and effectively control the occurrence of risks, strengthening the control capability of food and quality safety. Since 1996, the Company has self-required the formation of an cross-functional team which is responsible for implementation of the establishment, promotion and maintenance of the food quality/safety management system, and has successively passed the certification of the ISO 9001 Quality Management System and the Food Safety System Certification 22000 (FSSC 22000) and TQF, and continuously improved and maintained the effectiveness of the system. For the past few years, the Company has produced products in accordance with the Act Governing Food Safety and Sanitation on product liability and labeling requirements, without any illegal records. The Company also attaches great importance to the rights and interests of consumers and has set up a customer complaint service (the Sales Department) which handles the reply, review and report immediately.	None
(6) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection,	V		(6) For all contracts, the Company requests our suppliers to comply with all government laws as well as regulations relating to environment issues,	None

Item	Implementation Status			Reason for Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
occupational safety and health, and labor rights, and what is its implementation status?			occupational safety, health act, and labor right. If there is any violation, the entire penalty is on the suppliers, and the Company may terminate the contracts at any time. For details of supplier management, please refer to the Company's website: https://www.honchuan.com/en/csr/occupational-safety-and-health	
5. Does the Company refer to the guidelines for the preparation of internationally accepted reports in preparing its corporate social responsibility reports and other reports that disclose the Company's nonfinancial information? Did the aforesaid report obtain the assurance or accreditation of an impartial third party?	V		The Company has officially released a corporate social report since 2020, following the core option of GRI Standards: 2016 issued by the Global Reporting Initiative (GRI), and the report is also compiled in accordance with the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and the Sustainable Development Goals of the United Nations, and it has been verified by an independent third-party organization, SGS Taiwan.	None
6. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: Conform to Corporate Social Responsibility Best-Practical Principles.				
7. Other helpful information in understanding corporate social responsibility: For more details of the Company's corporate social responsibility performance, corporate governance, food safety, product services, sustainable environment, caring for employees / society, please refer to the Company's website to download the corporate social responsibility report: https://www.honchuan.com/en/csr/csr-reports				
8. Please illustrate if the Corporate Social Responsibility Report has been certified: The Company's 2020 corporate social responsibility report has been verified by an independent third party organization, SGS Taiwan, according to the AA1000AP Account Ability Principles, and complied with the core option of GRI Standards: 2016 issued by the Global Reporting Initiative (GRI) and the Type 1 Moderate level.				

3.4.6 Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
1. Establishment of ethical corporate management policies and programs: (1) Does the company establish an ethical corporate management policy that was approved by the board of directors, and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and management to implement the policies?	V		(1) The Company has made the "Ethical Corporate Management Best Practice Principles" on November 12, 2015 which has been resolved by the Board of Directors that year and amended by the Board of Directors on March 23 and May 8, 2020. Also, the Company requires that from the Board of Directors, the senior management to all the colleagues must implement the commitment of the ethical management policy. This code has been published on the Company's website for reference by all stakeholders.	None
(2) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies?	V		(2) In order to ensure the implementation of ethical management, the Company has established the effective accounting system and internal control system. Moreover, the Company establishes supervisory mechanism to prevent the occurrence of internal dishonest and improper behaviors by primary tasks including establishing job descriptions, various organization and management policy of the Company, requesting all employees to sign the Employee Integrity Commitment, and requesting suppliers to sign the Representations and Warranties on Honesty and Integrity, and conducting regular and irregular internal control and audit by internal auditors every year .	None
(3) Does the company establish appropriate precautions against high-potential unethical	V		(3) The Company has formulated the "Corporate Governance Best Practice Principle", "Ethical	None

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
conduct or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE listed companies?			Corporate Management Best Practice Principles", "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers", "Whistle-blowing Procedures for Violations of Ethical Corporate Management " and so on. Also, the Company has built the relevant anti-fraud measures, the operation procedures of ethical management, punishment and grievance system for violations, and implemented them entirely.	
2. Fulfill ethical management:				
(1) Does the company evaluate trading counterparties' ethical record and include ethics-related clauses in the contract?	V		(1) Before conducting business activity, the Company has evaluated the necessary ethical record of trading counterparties and included ethics-related clauses in business contracts.	None
(2) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	V		(2) The Company's Board of Directors resolved the " Ethical Corporate Management Best Practice Principles " on March 23, 2020, which clearly stated that the Human Resources Department of the Company is responsible for promoting the ethical management policy, and the Auditing Office is responsible for the formulation and supervision of the ethical management policy and prevention plan. The execution of ethical management in 2020 was reported to the Board of Directors by the chief auditor on March 23, 2021.	None
(3) Does the company establish policy to prevent conflict of interest, provide appropriate communication channels for complaints and implement it?	V		(3) The handbook for employee has described clearly that employees are prohibited from withholding receivables or keeping receivables secretly. Also, it is prohibited that the Company has any transaction with specific person or employee's relatives, in order to avoid the damage of Company's benefit.	None
(4) Has the Company established effective systems for both accounting and internal control to	V		(4) In order to make sure the implementation of ethical	

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
implement ethical corporate management? Has the internal auditors formulated related plans and checked the compliance of anti-unethical conduct based on the unethical risks assessed? Or does the Company commission a CPA for the audit task?			management, the Company has established an effective accounting system, set up the independent auditing office under the organization of Board of Directors, and established an internal control system in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies". The Auditing Office prepares annual audit plans and projects according to the results of risk assessment every year. For the inspection result, the internal auditors will fully communicate with the inspected units, put forward improvement suggestions and track the improvement results. The defects and anomalies of the internal control system will be disclosed in the audit report.	None
(5) Does the company hold internal and external ethical corporate management training courses regularly?	V		(5) The Company holds related courses in the "Ethical Corporate Management Best Practice Principles" to every new employees, and provides related educational trainings and promotion irregularly for directors, managers and employees. In 2020, the Company held in total 410 attendants and 205 hours of courses related to ethical corporate management.	None
3. Whistle-blowing system: (1) Has the Company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistleblower?	V		(1) The Company has set up its " Whistle-blowing Procedures for Violations of Ethical Corporate Management", in which building up the policy of the Company's internal and external whistle-blowing channels and procedures. Whistler may report the whistle-blowing case through the following ways: <ul style="list-style-type: none"> • Email: ethics@mail.houchuan.com.tw • Paper document: No.6, 2nd. Road, Industrial Park, Xitun Dist., Taichung Taiwan, R.O.C (To Auditing Office). 	None

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
(2) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?	V		<p>Moreover, the Company sets up a president's mailbox and a stakeholders section on its website, for clients, suppliers, subcontractors and employees to report or appeal.</p> <p>(2) The Company has incorporated into internal control system with related regulations, clearly describing the punishment, appeal policy, whistle-blowing reward and confidentiality mechanism when any violation of ethical corporate management occurs.</p>	None
(3) Does the company have protection mechanism for whistleblower?	V		<p>(3) The Company sets up a protection policy for whistler in the "Whistle-blowing Procedures for Violations of Ethical Corporate Management". The personal data of the whistleblowers and interested parties, such as their names, telephone numbers and addresses, shall be kept strictly confidential. Those responsible for investigating the reporting matters shall also strictly observe the confidentiality of the whistleblowers and the matters reported. If it is necessary to disclose the identity of the whistleblower, the consent of the whistleblower shall be obtained, and all activities conducted by the whistleblower or his/her department or other relevant departments for the purpose of identifying the identity of the whistleblower shall be prohibited. If the identity of the whistleblower is accidentally exposed, the unit that accepts the whistle-blowing shall investigate the process of exposure, strictly deal with the identity and the contents of the whistleblower in accordance with the related regulations of the Company, and assign a person to investigate the content of whistle-blowing. If whistler's identity is exposed, the receiving unit of whistle-blowing shall investigate the process</p>	None

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
			of exposure and deal with it strictly in accordance with the Company's related regulations.	
4. Enhancing Information Disclosure: Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	V		The Company has set up an official website, which discloses our business culture and management strategy. Also, it discloses the implementation of ethical corporate management in the annual report. The General Administration Department of the Company is in charge with collecting and announcing the Company's information, and the setup of spokesman and his/her related information in accordance with regulations. In order to protect the rights and interests of relevant stakeholders, the Company is committed to providing multiple channels for the most immediate communication with stakeholders and exposing important information in a transparent, smooth and multi-faceted way. We have set up multiple channels for all kinds of stakeholders in the stakeholders section of the Company's website to improve the efficiency of communication between the company and all stakeholders and enhance the transparency of information disclosure.	None
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: Conform to the Ethical Corporate Management Best-Practical Principles.				
6. Other helpful information in understanding the Company's corporate social responsibility practices: 1. In order to fulfill the foundation of ethical corporate management, the Company complies with the Company Act, Securities and Exchange Act, Commercial Account Law, related regulations of TWSE/GTSM Listed Companies and other commercial behavior related laws. 2. In the "Rules and Procedures for Meetings of the Board of Directors" of the Company, it sets up the directors' interest avoidance policy, in which any director who has interest-conflicts between himself or his representative for any motion can't participate in the discussion and vote at the meeting. 3. The Company sets up the "Operating Procedures for Handling Material Inside Information and Preventing Insider Trading" to prohibit the directors, supervisors, managers and employees from disclosing the internal material information to anyone. The Company holds educational training irregularly to directors, supervisors, managers and employees.				

3.4.7 Corporate Governance Guidelines and Regulations

In order to fulfill the management system of Board, the function of supervision and strength the management function, we had established the Regulation of Board of Directors Meetings by following Regulations Governing Procedure for Board of Directors Meetings of Public Companies. Besides, the Rules of Procedure for Shareholders Meetings, Remuneration Committee Charter were all published on the Company's website and MOPS.

3.4.8 Other Important Information Regarding Corporate Governance

All directors of the Company have industrial professional background and management practical skills, and their continuing education status were as follows:

Title	Name	Date of Election	Date of Course	Organizer	The course name	Duration
Director	Dai, Hung-Chuan	2020.06.19	2020.02.20	Taiwan Institute of Directors	Business Growth Strategies and Breakthrough Innovation	3 hours
Director	Dai, Hung-Chuan	2020.06.19	2020.09.04	Securities and Futures Institute	2020 Prevention of Insider Trading and Corporate Insiders' Share Transfers Seminar	3 hours
Director	Liu, Yun-Chang	2020.06.19	2020.09.04	Securities and Futures Institute	2020 Prevention of Insider Trading and Corporate Insiders' Share Transfers Seminar	3 hours
Independent Director	Hung, Chao-Nan	2020.06.19	2020.08.07	Accounting Research and Development Foundation	Comparison of the U.S. Economic Espionage and Taiwan's Trade Secret Act, Legal Liability and Case Analysis	3 hours
Independent Director	Hung, Chao-Nan	2020.06.19	2020.11.04	Accounting Research and Development Foundation	Application of Commercial Arbitration to Enterprises and Analysis of Legal Liability	3 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.09.18	CPA Associations R.O.C.(Taiwan)	New Laws and Regulations of Securities Company	3 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.10.15	CPA Associations R.O.C.(Taiwan)	Risk-based Auditing	3 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.10.26	CPA Associations R.O.C.(Taiwan)	Difference between Enterprise Accounting Standard and IFRS	3 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.10.29	CPA Associations R.O.C.(Taiwan)	Communication between Accountants and Auditors	3 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.11.19	CPA Associations R.O.C.(Taiwan)	Administrative Remedy Case Studies	3 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.11.24	CPA Associations R.O.C.(Taiwan)	Company Registration Special Case Studies	4 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.11.30	CPA Associations R.O.C.(Taiwan)	Patterns of Contests for Corporate Control	3 hours

Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.12.02	CPA Associations R.O.C.(Taiwan)	Accounting Technology Innovation and Practice	3 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.12.03	Associations Approved Symposium	Anti-Money Laundering from the Perspective of Accounting	3 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2020.12.18	CPA Associations R.O.C.(Taiwan)	Family Trust	6 hours
Independent Director	Kung, Yi-Lu	2020.06.19	2020.10.16	Taiwan Stock Exchange, Taipei Exchange	2020 Corporate Governance and Anti-corruption Seminar	3 hours
Independent Director	Kung, Yi-Lu	2020.06.19	2020.10.21	Securities and Futures Institute	2020 Prevention of Insider Trading and Corporate Insiders' Share Transfers Seminar	3 hours

3.4.9 The implementation of the internal control system

3.4.9.1 Statement of Internal Control System

Taiwan Hon Chuan Enterprise Co., Ltd. Statement of Internal Control System

Date: March 23, 2021

Based on the findings of a self-assessment, Taiwan Hon Chuan Enterprise Co., Ltd. (Hon Chuan) states the following with regard to its internal control system during the year 2020:

1. Hon Chuan's Board of Directors and Management team are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, immediacy and transparency of report, and compliance with applicable regulations and laws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Hon Chuan takes immediate remedial actions in response to any identified deficiencies.
3. Hon Chuan evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Hon Chuan has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Hon Chuan believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, immediacy and transparency of report, and compliance with applicable regulations and laws.
6. This Statement will be an integral part of Hon Chuan's Annual Report for the year 2019 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been resolved by the Board of Directors in the meeting held on March 23, 2021, with none of the nine attending directors expressed dissenting opinions, and meanwhile, approved the content of this Statement.

Taiwan Hon Chuan Enterprise Co., Ltd.

Chairman: Dai, Hung-Chuan

President: Tsao, Hsih-Chung

3.4.9.2 If a CPA is commissioned to review internal control system specifically, the review report should be disclosed: None.

3.4.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement:None.

3.4.11 Significant resolutions reached in the Shareholders' meeting and Board meeting in the most recent year and up to the publication of the annual report

3.4.11.1 Significant resolutions reached in the Shareholders' meeting

Date	Important Resolution	Condition of Execution
June 18, 2020	<ol style="list-style-type: none"> 1. Approval of 2019 Business Report and Financial Statements. 2. Approval of 2019 Profit Distribution Proposal. 3. Resolution of amendments to "Rules and Procedures for Shareholders' Meeting". 4. Resolution of Directors Election. 5. Resolution of the Release for the Directors and Independent Directors from the Non-competition Restriction. 	<ol style="list-style-type: none"> 1. Related statements have been submitted to competent authority and publicly reported in accordance with The Company Act and related regulations. 2. Set up July 22, 2020 as the ex-dividend date, and the distribution has been completed. 3. Effective upon resolution of the shareholders meeting. 4. New Directors of the Company assumed their office on June 19, 2020. 5. Effective upon resolution of the shareholders meeting.

3.4.11.2 Significant resolutions reached in the Board meeting

Date	Major Proposals
March 23, 2020	<ol style="list-style-type: none"> 1. Report on the implementation of internal audits from November to December in 2019 and January to February in 2020. 2. Report on the implementation of ethical management in 2019. 3. Report on the promotion and execution of ethical management policy in 2019. 4. Report on the establishment of the whistleblower system to ensure the effectiveness of policy implementation. 5. Resolution of 2019 employees' compensation and directors' remuneration. 6. Approval of 2019 financial statements. 7. Approval of 2019 consolidated financial statements. 8. Resolution of 2019 profit distribution. 9. Resolution of 2019 business report. 10. Resolution of holding the 2020 annual shareholders' meeting. 11. Resolution of the place and the period of accepting the proposal of 2020 shareholders' meeting and the nomination of director candidates. 12. Resolution of election of directors. 13. Resolution of nominating and reviewing directors (including independent directors)

Date	Major Proposals
	<p>candidates.</p> <p>14. Resolution of the deletion of non-competition promise on new directors and its representatives.</p> <p>15. Resolution of the evaluation of external auditor's independence.</p> <p>16. Resolution of the Board performance evaluation in 2019.</p> <p>17. Approval of the Statement of Internal Control System.</p> <p>18. Resolution of the amendment to "Rules and Procedures for Shareholders' Meeting".</p> <p>19. Resolution of the amendment to "Rules and Procedures for Meetings of the Board of Directors".</p> <p>20. Resolution of the amendment to "Audit Committee Charter".</p> <p>21. Resolution of the amendment to "Remuneration Committee Charter".</p> <p>22. Resolution of the contents of directors and officers liability insurance renewal.</p> <p>23. Resolution of decrease of corporate guarantee for subsidiaries.</p> <p>24. Resolution of stipulation of "Operating Procedures for Handling Material Inside Information and Preventing Insider Trading".</p> <p>25. Resolution of amendments to "Ethical Corporate Management Best Practice Principles".</p> <p>26. Resolution of amendments to "Corporate Social Responsibility Best Practice Principles".</p> <p>27. Resolution of the share repurchase program.</p>
May 8, 2020	<p>1. Report on the implementation of internal audits from March to April in 2020.</p> <p>2. Approval of the 1th quarter of 2020 Consolidated Financial Statements.</p> <p>3. Resolution of adjustment of cash capital increase of Hon Chuan (China) Holdings Co., Ltd.</p> <p>4. Resolution of amendments to "Ethical Corporate Management Best Practice Principles"</p>
June 19, 2020	<p>1. All directors present at the meeting appointed Mr. Dai, Hung-Chuan to be re-elected as chairman.</p> <p>2. Resolution of the appointment of members of the Audit Committee of 2nd term.</p> <p>3. Resolution of the appointment of members of the Remuneration Committee of 4nd term.</p>
June 30, 2020	<p>1. Report on the Company's performance of corporate social responsibility in 2019.</p> <p>2. Resolution of the date for cash dividend distribution.</p> <p>3. Resolution of cancellation of treasury shares.</p>
August 11, 2020	<p>1. Report on the implementation of internal audits from May to July in 2020.</p> <p>2. Approval of the first half of 2020 consolidated financial statements.</p> <p>3. Resolution of adjustments of corporate guarantee for subsidiaries.</p> <p>4. Resolution of projected cash capital increase to HONLY Holding Co., Ltd. and HONLY FOOD & BEVERAGE CO., LTD from HC (Asia) Holdings Co., Ltd.</p>
November 10, 2020	<p>1. Report on the implementation of internal audits from August to October in 2020.</p> <p>2. Approval of the 3rd quarter of 2020 consolidated financial statements.</p> <p>3. Resolution of leasing a land in Port of Taichung Free Trade Zone to build the plant and purchase equipment.</p> <p>4. Resolution of the Company's 2021 annual audit plans.</p> <p>5. Resolution of amendments to "Corporate Governance Best Practice Principle".</p> <p>6. Resolution of decrease of corporate guarantee for subsidiaries.</p>
March 23, 2021	<p>1. Report on the implementation of internal audits from November to December in 2020 and January to February in 2021.</p> <p>2. Report on the implementation of ethical management in 2020.</p> <p>3. Report on the promotion and execution of ethical management policy in 2020.</p> <p>4. Report on the establishment of the whistleblower system to ensure the effectiveness of policy implementation.</p> <p>5. Resolution of 2020 employees' compensation and directors' remuneration.</p> <p>6. Approval of 2020 financial statements.</p> <p>7. Approval of 2020 consolidated financial statements.</p> <p>8. Resolution of 2020 profit distribution.</p> <p>9. Resolution of 2020 business report.</p>

Date	Major Proposals
	10. Resolution of holding the 2021 annual shareholders' meeting. 11. Resolution of the place and the period of accepting the proposal of 2021 shareholders' meeting. 12. Resolution of replacement of CPAs. 13. Resolution of the evaluation of external auditor's independence. 14. Resolution of the appointment of the corporate governance officer. 15. Resolution of the amendment to the "Regulation of Self-Evaluation of the Board of Directors". 16. Approval of the Statement of Internal Control System. 17. Resolution of the contents of directors and officers liability insurance renewal. 18. Resolution of the 2021 appointment or discharge of employees of assistant vice president (inclusive) or higher position. 19. Resolution of decrease of corporate guarantee for subsidiaries.
May 11, 2021	1. Approval of the 1th quarter of 2021 Consolidated Financial Statements. 2. Report on the implementation of internal audits from March to April in 2021.

3.4.12 The contents of the board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing in the most recent year or up to the publication of the annual report: None.

3.4.13 The resignation or dismissal of the Company's Chairman, President, Accounting Officer, Finance Office, Internal Audit Director, chief corporate governance officer, and R&D Director in the most recent year or up to the publication of the annual report: None.

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1. Information Regarding the Company's Audit Fee and Independence

Name of accounting firm	Accountant name		Audit period	Remarks
Deloitte & Touche	Tseng, Done-Yuin	Yen, Hsiao-Feng	Jan 01, 2020 ~ Dec 31, 2020	-

Unit: NTD\$ Thousand

Amount range		Fees	Audit fees	Non-audit fees	Total
1	Less than \$ 2,000 thousand			✓	✓
2	\$ 2,000 thousand (inclusive) ~ \$ 4,000 thousand				
3	\$ 4,000 thousand (inclusive) ~ \$ 6,000 thousand				
4	\$ 6,000 thousand (inclusive) ~ \$ 8,000 thousand				
5	\$ 8,000 thousand (inclusive) ~ \$ 10,000 thousand		✓		✓
6	More than \$ 10,000 thousand (inclusive)				

3.5.2 Non-audit fees paid to CPA, accounting firm and affiliated companies thereof that amount to more than 1/4 of audit fees: None.

Unit: NTD\$ Thousand

CPA Firm	Name of CPAs	Audit Fee	Non-Audit Fee					Audit Period	Note
Deloitte & Touche	Tseng, Done-Yuin	8,100	Policy Design	Business Registration	Human Resource	Other (Note 1)	Subtotal	Jan 01, 2020 ~ Dec 31, 2020	-
	Yen, Hsiao-Feng		0	30	0	323	353		

Note 1: Services relate to transfer pricing report.

3.5.3 Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year: None.

3.5.4 Reduction of audit fees by more than 10% compared to the previous year: None.

3.6 Replacement of CPAs

3.6.1 Regarding former CPA

Date of change	March 23, 2021		
Reason of change	Internal adjustments within the certifying accounting firm		
Describe whether the Company terminated or the CPA did not accept the appointment	Status	Parties	CPA The Company
	Termination of appointment		N/A N/A
	No longer accepted (continued) appointment		N/A N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			other
	None	✓	
Remarks / specify details:			
Other Revealed Matters (Shall be revealed as Article 10, Subsection 6, Item 1-4 to 1-7 of this regulation)	None		

3.6.2 Regarding the successor CPA

Name of Accounting Firm	Deloitte & Touche
Name of CPAs	Yen, Hsiao-Feng and Wu, Li-Dong (Note)
Date of appointment	March 23, 2021
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

Note: The change of financial statement auditor was the result of an internal job rotation that took place within Deloitte accounting firm from Tseng, Done-Yuin and Yen, Hsiao-Feng to Yen, Hsiao-Feng and Wu, Li-Dong on March 23, 2021.

3.6.3 The reply in accordance with Article 10.6.(1)(2-3) from the former CPAs: None.

3.7 The Company's Chairman, President, and Finance or Accounting Officer have held a position in the independent auditing firm or its affiliates over the past year: None.

3.8 Changes in the shares held and pledged by directors, supervisors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report

3.8.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Share

Title	Name	2020		As of April 20, 2021	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Chairman	Dai, Hung-Chuan	0	0	0	0
Director and General Manager	Tsao, Hsih-Chung	0	0	0	0
Director	Lin, Chuan-Nui (Note 1)	0	0	0	0
Director	Tsao, Hung-Yu (Note 1)	0	0	0	0
Director and Executive Vice President	Liu, Yun-Chang	0	0	0	0
Director	Dai, Hung-I	15,000	0	0	0
Director	Chang, Chun-Shu	0	0	0	0
Independent Director	Hung, Chao-Nan	0	0	0	0
Independent Director	Huang, Hsiang-Ying	0	0	0	0
Independent Director	Kung, Yi-Lu	0	0	0	0
Group Vice President	Pai, Wen-Pin	0	0	0	0
Chief Auditor / Senior Assistant Vice President	Hsieh, Hung-Lung	0	0	0	0
Group Vice President	Tseng, Wen-Hua	0	0	0	0
Group Vice President	Cheng, Ya-Wen	0	0	0	0
Vice President	Lee, Chin-Hsiung	0	0	0	0
Vice President	Lai, Shen-Yuan	5,000	0	0	0
Vice President	Chuang, Kuei-Ching	0	0	0	0
Vice President	Lu, Ching-Chou	0	0	0	0
Senior Assistant Vice President	Lee, Ching-Hsiang	0	0	0	0
Senior Assistant Vice President	Yen, Ching-Chuan	0	0	0	0
Assistant Vice President	Hung, Min-Hsiung	0	0	0	0
Assistant Vice President	Tsao, Chien-Hsia	0	0	0	0
Assistant Vice President	Ting, Chih-Hao	0	0	0	0
Senior Assistant Vice President	Fang, Yu-Lung	0	0	0	0
Assistant Vice President	Cheng, Chih-Hung	0	0	0	0
Assistant Vice President	Tsai, Yung-Fu	0	0	0	0
Assistant Vice President	Liu, Li-Yuan	0	0	0	0
Assistant Vice President	Pai, Hsien-Wei	0	0	0	0
Assistant Vice President	Lin, Tsang-Pin	1,000	0	0	0
Assistant Vice President	Lin, Wei-Hsiang	1,500	0	0	0
Assistant Vice President	Huang, Chun-Hao (Note 2)	0	0	0	0
Assistant Vice President	Li, Kun-Chang (Note 2)	0	0	0	0

Note 1: The Directors of the Company were re-elected on June 19, 2020, and Lin, Chuan-Nui resigned on June 19, 2020.

The Directors of the Company were re-elected on June 19, 2020, and Tsao, Hung-Yu assumed office on June 19, 2020.
 Note 2: On July 1, 2020, Huang, Chun-Hao was promoted to Deputy Vice President, and was promoted to Assistant Vice President from deputy on January 1, 2021.
 On July 1, 2020, Li, Kun-Chang Senior Assistant Vice President was transferred from the China Headquarters.

3.8.2 The counterparty of the equity transfer or equity pledge is a related party: None.

3.9 The Top-10 shareholders who are the spouses or relatives within second-degree to each other

April 20, 2021

Name	Shareholding of the Principal		Shareholdings by spouse and underage children		Shareholding by nominee arrangement		Spouse, relative of second degree or closer, and relationships among top 10 Shareholders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Morgan Stanley & Co. International Plc	10,160,851	3.53%	0	0	0	0	None	None	-
Chunghwa Post Co., Ltd. Representative: Wu, Hung-Mou	8,673,964	3.01%	0	0	0	0	None	None	-
Tsao, Hung-Yu	6,529,134	2.27%	0	0	0	0	Tsao, Hsih-Chung	Father and son	-
Cathay United Bank Co., Ltd.	6,000,000	2.08%	0	0	0	0	None	None	-
MLI FOR CLIENT OMNIBUS TAIWAN DAY TRADING	5,834,230	2.03%	0	0	0	0	None	None	-
Dai, Hung-I	5,812,111	2.02%	631,576	0.22%	0	0	None	None	-
Norges Bank	5,223,857	1.82%	0	0	0	0	None	None	-
ROBECO CAPITAL GROWTH FUNDS	4,930,000	1.71%	0	0	0	0	None	None	-
Taiwan Life Insurance Co., Ltd.	4,869,000	1.69%	0	0	0	0	None	None	-
Tsao, Hsih-Chung	4,372,243	1.52%	1,283,064	0.45%	0	0	Tsao, Hung-Yu	Father and son	-

3.10 Ownership of Shares in Affiliated Enterprises

December 31, 2020

Unit: Share; %

Affiliated Enterprises (Note1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Share	%	Share	%	Share	%
Hon Chuan Holding Limited	542,389,593	100%	—	—	542,389,593	100%
Bon Trust International Trade Co., Ltd.	999,000	99.9%	—	—	999,000	99.9%
Hon Chuan (Cambodia) Co., Ltd.	1,000	100%	—	—	1,000	100%
Hon Chuan (Philippines) Co., Ltd.	15,000,000	100%	—	—	15,000,000	100%
Hon Chuan (China) Holding Co., Ltd.	—	—	183,841,805	100%	183,841,805	100%
Kai Gang Industries Limited	—	—	1,201,561,003	100%	1,201,561,003	100%
Hon Hsing (Samoa) Holding Limited	—	—	108,006,000	100%	108,006,000	100%
Honly Holding Co., Ltd.	—	—	69,854,780	100%	69,854,780	100%
Hon Chuan (Africa) Holding Co., Ltd.	—	—	13,485,118	100%	13,485,118	100%
Hon Shi Mozambique Limitada (Hon Shi Samoa)	—	—	3,138,790	60%	3,138,790	60%
Hon Chuan Enterprise (Suzhou) Company Limited	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Qingxin) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Zhangzhou) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Chuzhou) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Xiantao) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Suzhou Hongxin Food Packing Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Enterprise (Changsha) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Jinan) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Taiyuan) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Enterprise Packing (Luohe) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Anyang) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
HC (Asia) Holdings Co., Ltd.	—	—	253,163,480	100%	253,163,480	100%
Hon Chuan Malaysia Sdn. Bhd.	—	—	81,259,900	100%	81,259,900	100%
Hon Chuan Vietnam Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
PT Hon Chuan Indonesia	—	—	98,577,783	100%	98,577,783	100%
Hon Chuan (Thailand) Co., Ltd.	—	—	137,000,000	100%	137,000,000	100%
Hon Chuan FD Packaging Co., Ltd.	—	—	12,666,225	65%	12,666,225	65%
Hon Chuan (Myanmar) Co., Ltd.	—	—	89,524,394	70%	89,524,394	70%
Honly International Co., Ltd.	—	—	1,002	49%	1,002	49%
Honly Food & Beverage Co., Ltd.	—	—	17,966,248	100%	17,966,248	100%
Hon Hua (Samoa) Holdings Limited.	—	—	8,100,000	60%	8,100,000	60%
Uni Tun Co., Ltd.	—	—	6,000	60%	6,000	60%
Shimada International Limitada	—	—	(Note 2)	60%	(Note 2)	60%
Hon Shi Mozambique Co., Ltd.	—	—	(Note 2)	60%	(Note 2)	60%

Note 1: These are long term investments accounted for using equity method by the Company.

Note 2: It is not applicable for limited companies.

4. Capital Overview

4.1 Capital and Shares

4.1.1 Sources of capital

4.1.1.1 History of Capitalization

April 20, 2021
Unit: Share / NTD\$

Month / Year	Issuing price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Pay for stock shares with property other than cash	Other
May 2015	10	350,000,000	3,500,000,000	309,847,879	3,098,478,790	Capitalization by cash NTD\$ 500,000,000	None	Order No. Economic-Authorization-Business-10401088210 in May 20, 2015 Order No. Financial-Supervisory-Securities-Futures-1030042045 in October 30, 2014 and Order No. Financial-Supervisory-Securities-Futures-1040000046 in January 07, 2015
Feb 2016	10	350,000,000	3,500,000,000	292,878,879	2,928,788,790	Cancellation of buy-back shares NTD\$ 169,690,000	None	Order No. Economic-Authorization-Business-10501031560 in February 22, 2016
Jul 2020	10	350,000,000	3,500,000,000	287,785,879	2,877,858,790	Cancellation of buy-back shares NTD\$ 50,930,000	None	Order No. Economic-Authorization-Business-10901124840 in July 7, 2020

4.1.1.2 Type of Stock

April 20, 2021
Unit: Share

Type	Shares	Authorized Capital			Remark
		Issued Shares	Un-issued Shares	Total	
Registered Common Shares		287,785,879	62,214,121	350,000,000	Listed stock

4.1.1.3 Information for Shelf Registration : None.

4.1.2 Shareholder structure

April 20, 2021
Unit: Person / Share

Structure of Shareholder	Government institutions	Financial institutions	Other juristic person	Natural person	Foreign institution & foreigners	Total
QTY						
Number of persons	-	36	102	19,564	187	19,889
Shareholding	-	21,486,106	34,179,598	149,923,276	82,196,899	287,785,879
Shareholding ratio	-	7.46%	11.88%	52.09%	28.57%	100%

4.1.3 Status of Ownership Dispersion

4.1.3.1 Dispersion status of Common shares

April 20, 2021

Unit: Person / Share

Shareholding bracket	Number of shareholders	Shareholding	Shareholding ratio (%)
1 ~ 999	5,993	1,057,314	0.37%
1,000 ~ 5,000	10,579	20,990,718	7.29%
5,001 ~ 10,000	1,546	11,831,687	4.11%
10,001 ~ 15,000	531	6,680,429	2.32%
15,001 ~ 20,000	313	5,691,614	1.98%
20,001 ~ 30,000	273	6,888,121	2.39%
30,001 ~ 40,000	151	5,338,667	1.86%
40,001 ~ 50,000	84	3,832,937	1.33%
50,001 ~ 100,000	152	10,905,376	3.79%
100,001 ~ 200,000	92	12,862,418	4.47%
200,001 ~ 400,000	67	19,057,031	6.62%
400,001 ~ 600,000	31	15,489,488	5.38%
600,001 ~ 800,000	16	11,045,731	3.84%
800,001 ~ 1,000,000	9	7,823,424	2.72%
Over 1,000,001	52	148,290,924	51.53%
Total	19,889	287,785,879	100%

4.1.3.2 Dispersion status of Preferred shares: None.

4.1.4 List of major shareholders

April 20, 2021

Name of major shareholders	Shares	Shareholding	Shareholding ratio (%)
Morgan Stanley & Co. International Plc		10,160,851	3.53%
Chunghwa Post Co., Ltd. Representative:Wu, Hung-Mou		8,673,964	3.01%
Tsao, Hung-Yu		6,529,134	2.27%
Cathay United Bank Co., Ltd.		6,000,000	2.08%
MLI FOR CLIENT OMNIBUS TAIWAN DAY TRADING		5,834,230	2.03%
Dai, Hung-I		5,812,111	2.02%
Norges Bank		5,223,857	1.82%
ROBECO CAPITAL GROWTH FUNDS		4,930,000	1.71%
Taiwan Life Insurance Co., Ltd.		4,869,000	1.69%
Tsao, Hsih-Chung		4,372,243	1.52%

4.1.5 Market price, net worth, earnings, and dividends of per share in the most recent two years

Unit: NTD\$ / Share

Item \ Year			2019	2020	As of March 31, 2021
Market price per share	Maximum		62.70	65.30	69.20
	Minimum		46.85	39.60	56.60
	Average		55.18	55.74	63.75
Net worth per share (Note 1)	Before distribution		44.19	45.44	42.41
	After distribution		41.14	(Note 1)	-
Earnings per share	Weighted average shares	Before adjustment	292,878,879	289,584,909	287,785,879
		After adjustment	292,878,879	Not distributed yet	Not distributed yet
	Earnings per share	Before adjustment	4.72	5.72	1.67
		After adjustment	4.72	-	-
Dividend per share	Cash dividend		3.05309155	3.6 (Note 1)	-
	Stock dividend	Stock Dividend from Retained earnings	-	-(Note 1)	-
		Stock Dividend from additional paid-in capital	-	-(Note 1)	-
	Cumulative un-paid dividend		-	-	-
Return on investment analysis	Price-Earnings (P/E) Ratio (Note 2)		11.31	9.89	-
	Profit Ratio (Note 3)		17.48	15.71	-
	Cash Dividend Yield (Note 4)		5.72%	6.37%	-

Note 1: The Company's 2020 Profit Distribution Proposal was resolved by the Board of Directors on March 23, 2021, and has yet to be resolved by the shareholders' meeting. If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.

Note 2: Price-Earnings (P/E) Ratio = Average closing price per share of the year / Earnings per share.

Note 3: Profit Ratio = Average closing price per share of the year / Cash dividend per share.

Note 4: Cash Dividend Yield = Cash dividend per share / Average closing price per share of the year.

4.1.6 Dividend Policy and Distribution

4.1.6.1 Dividend Policy in Articles of Incorporation

- (1) Upon closing of accounts, if there shall be any net profit, the Company shall make up the losses for the preceding years, then set aside a legal reserve of 10% of the net profit unless the statutory surplus reserve has reached the total capital and then set aside or rotate special reserves; Any further remaining amount shall be added to the unallocated surplus from the prior year as shareholder dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus, which shall be approved at a shareholders' meeting.

If the distributable dividend, bonus, capital surplus or legal reserve in whole or in part are to be paid in the form of cash, the Board of Directors is authorized to implement by a resolution to be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The dividend policy of the Company shall be made according to the Company's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Company may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings are less than 10% of capital, the Company may decide not to distribute dividend.

The shareholder dividend shall be in the form of cash dividend or stock dividend. More than (or equal to) 50% of the total amount of shareholders dividend shall be in the form of cash dividend.

4.1.6.2 Proposal for Dividend Distribution by this Shareholders' meeting (Resolved by the Board of Directors' meeting on March 23, 2021, and will be proposed to Shareholders' meeting which held on June 18, 2021 for ratification)

Items	Unit: NTD\$	
	Subtotal	Total
Unappropriated retained earnings of previous years		1,978,427,042
2020 after-tax net income	1,655,411,847	
Remeasurement of defined benefit obligation	(4,311,798)	
Retired treasury stock debited to retained earnings	<u>(140,812,704)</u>	
After-tax net income and other profit items adjusted to the current year's undistributed earnings other than after-tax net income		1,510,287,345
10% for legal capital reserve		(151,028,735)
Special reserve		<u>(356,136,494)</u>
Retained Earnings Available for Distribution as of 2020		2,981,549,158
Shareholders' Dividend - Cash (NTD\$ 3.6 per share)		<u>(1,036,029,165)</u>
Unappropriated Retained Earnings		<u>1,945,519,993</u>

If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.

4.1.6.3 If expecting any significant change about dividend policy, it shall give explanation: None.

4.1.7 Impact to Business Performance and EPS resulting from Stock Dividend Distribution: Not applicable.

4.1.8 Employees' Compensation and Directors' Remuneration

4.1.8.1 The policy of employees' compensation and directors' remuneration as stated in the Articles of Incorporation

Annual profit before income tax, employees' compensation, and directors' remuneration shall be resolved by Board of Directors to set aside no less than 1% of said profit as employee compensation and a maximum of 3% of said profit as remuneration to directors.

Employee's compensation may be distributed in the form of shares or in cash, and employees qualified to receive such compensation may include employees from holding or affiliates companies who meet the qualifications which the Board of Directors stipulates.

The issues relevant to distribution of employee compensation and director remuneration shall be set by resolutions of the Board of Directors. If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.

4.1.8.2 Basis for estimating employees' compensation, directors' remuneration and stock dividends, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:

If a different amount is resolved during the shareholders' meeting, the difference shall be treated as a change in accounting estimates and recognized as gains or losses in the year of 2021.

4.1.8.3 Compensation and Remuneration proposal resolved by the Board of Directors

- (1) Disclose the amount, cause and treatment for any difference that arise between the amount proposed and estimated in the year it was recognized as an expense.

The Board of Directors resolved the profit distribution on March 23, 2021.

Employees' compensation: 1.78% as of NTD\$33,065,500 in Cash.

Directors' remuneration: 0.79% as of NTD\$ 14,585,598 in Cash.

There was no difference between the amount proposed and estimated in the year it was recognized as an expense. After actual distribution amount being resolved in the shareholders' meeting, the difference with recorded amount will be deemed as changes in accounting estimates and included in 2021 profit and loss.

- (2) The percentage of proposed employee bonus paid in shares, relative to the sum of standalone after-tax net income plus total employee bonus: Employees' compensation would be distributed completely in cash, which resolved on March 23, 2021 the Board of Directors' meeting; so it is not applicable.

4.1.8.4 Actual distribution of employees' compensation and directors' and supervisors' remuneration in previous year

Units: NTD\$

Items	2019			
	Recorded amount	Actually paid	Difference (Note)	Remark
Employees' compensation	28,951,000	28,837,000	114,000	Recorded as Other revenue
Directors' and supervisors' remuneration	12,429,330	12,429,330	None	-

Note: The reason of difference is the payment of resigned employees.

4.1.9 Shares Repurchase Execution Report:

May 21, 2021

No.	The First Share Repurchase Program in 2020
Purpose of Repurchase	Maintain the Company's credit and shareholders' rights and interests.
Period for Repurchase	2020/04/29~2020/05/19
Range of Repurchase Prices	From NT\$52.47 to NT\$56.47
Type and Numbers of Shares Repurchased	5,093,000 shares of common stocks
Total Amount of Repurchased Shares	NT\$277,422,689
Ratio of the Number of Repurchased Shares to the Number of Scheduled Repurchased Shares (%)	50.93%
Number of Shares Cancelled and Transferred	5,093,000 shares of common stocks
Cumulative Number of Shares Held by the Company	-
Ratio of Cumulative Number of Own Shares Held During the Repurchase Period to the Total Number of the Company's Issued Shares: (%)	-

4.2 Issuance of Corporate Bonds

4.2.1 Issuance of Corporate Bonds

Type of Corporate Bond		The 1st Domestic Unsecured Corporate Bonds in 2018
Issuing Date		April 27, 2018
Denomination		NTD\$ 1 million / 1,000 shares
Listing		N/A
Offering Price		Par
Total Amount		NTD\$ 3 billion
Rate		Fixed rate of 1.07%
Term		Five years ; Maturity Date is April 27, 2023
Guarantor		None
Trustee		Land Bank of Taiwan
Underwriter		Yuanta Securities Co., Ltd.
Legal Counsel		Yi Cheng United Law Firm Lawyer: Kuo, Hui-Chi
Auditor		Deloitte & Touche CPAs: Tseng, Done-Yuin and Wu, Li-Dong
Repayment		100% principal repayment upon maturity
Outstanding		NTD\$ 3 billion
Redemption or Early Repayment Clauses		None
Covenants		None
Credit Rating		Taiwan Ratings Rating date: March 21, 2018 Rating result: twA- (Domestic long-term credit rating)
Other rights of Bond Holders	Amount of Converted or Exchanged Common Shares, ADRs or other Securities	N/A
	Terms or Conditions	N/A
Dilution Effect and Other Adverse Effect on Existing Shareholders		N/A
Custodian		None

4.2.2 Information of Convertible Bonds: None.

4.2.3 Information of Exchangeable Bonds: None.

4.2.4 Shelf Registration Status of Bond Issuance: None.

4.2.5 Information of Bonds with Warrants: None.

4.3 Implementation Status of Preferred Shares: None.

4.4 Implementation Status of Global Depository

Receipts: None.

4.5 Implementation Status of Employee Warrants: None.

4.6 Subscription of New Shares by Employees and Restricted Shares: None.

4.7 Mergers, or Issue New Shares by the Company for Its Acquisition of the Shares of Another Company

4.7.1 Completed Mergers, or Issue New Shares by the Company for Its Acquisition of the Shares of Another Company, up to the date of printing of the annual report

1. Evaluation opinion issued by Securities firms which organized the most recent quarter of Mergers, or Issue New Shares by the Company for Its Acquisition of the Shares of Another Company: None.
2. The state of implementation for the most recent quarter. If the progress or benefits of such implementation were not as good as expected, please explain specifically how the situation is likely to affect shareholders' equity, and shall put forward a plan for corrective action: Not applicable.

4.7.2 The state of Mergers, or Issue New Shares by the Company for Its Acquisition of the Shares of Another Company which resolved by the Board of Directors, up to the date of printing of the annual report: None.

4.8 Financing plans and Implementation

1. The Company doesn't have uncompleted public issue placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits.
2. For the period as of the quarter preceding the date of publication of the annual report, the Company's financing plans of each public issue placement of securities have been completed.

5. Operation Highlights

5.1 Business Activities

5.1.1 Business Scope

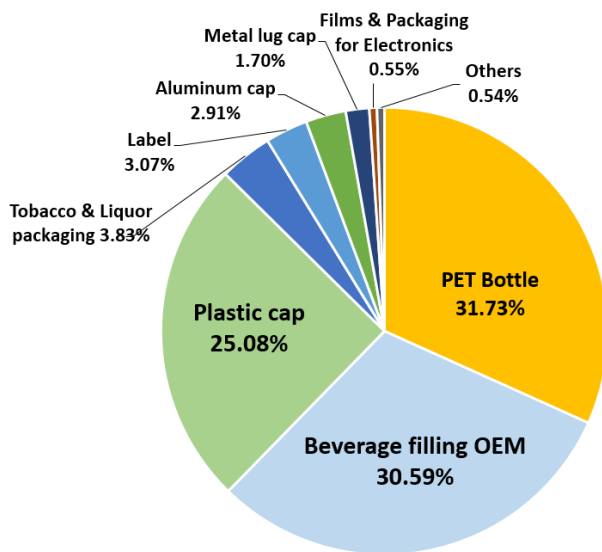
5.1.1.1 Major Business of Hon Chuan

1. C805010 Plastic Sheets, Pipes and Tubes Manufacturing.
2. C805990 Other Plastic Products Manufacturing.
3. C110010 Beverage Manufacturing.
4. C102010 Dairy Products Manufacturing.
5. CB01010 Machinery and Equipment Manufacturing.
6. CB01990 Other Machinery Manufacturing Not Elsewhere Classified.
7. F206030 Retail Sale of Die.
8. F206010 Retail Sale of Ironware.
9. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified.
10. CA02010 Metal Architectural Components Manufacturing.
11. CA02060 Metal Containers Manufacturing.
12. C801100 Synthetic Resin & Plastic Manufacturing.
13. C701010 Printing.
14. C805020 Plastic Sheets & Bags Manufacturing.
15. C805030 Plastic Made Grocery Manufacturing.
16. CC01090 Batteries Manufacturing.
17. CC01080 Electronic Parts and Components Manufacturing.
18. F401010 International Trade.
19. F102030 Wholesale of Tobacco Products and Alcoholic Beverages.
20. F102040 Wholesale of Nonalcoholic Beverages.
21. F401171 Alcohol Drink Import.
22. C801010 Basic Industrial Chemical Manufacturing.
23. F213080 Retail Sale of Machinery and Equipment.
24. F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified.
25. CA01990 Other Non-ferrous Metal Basic Industries.
26. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified.
27. IZ06010 Cargoes Packaging.
28. F103010 Wholesale of Animal Feeds.
29. F202010 Retail sale of Animal Feeds.
30. F107050 Wholesale of Manure.
31. F207050 Retail Sale of Manure.
32. F121010 Wholesale of food additives.
33. F221010 Retail of food additives.
34. F102180 Wholesale of Ethanol.
35. F203030 Retail Sale of Ethanol.
36. F203020 Retail Sale of Tobacco and Alcoholic Drinks.
37. F401161 Tobacco Products Import.
38. A102060 Grain Commerce
39. F201010 Retail sale of Agricultural Products
40. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

5.1.1.2 Major Products and Revenue Proportion

2020 Major products and Revenue Proportion

Unit: NTD\$ Thousand



2020	Net Sales	Percentage
PET Bottle	6,138,559	31.73%
Beverage Filling OEM	5,920,640	30.59%
Plastic Cap	4,852,610	25.08%
Tobacco & Liquor Packaging	740,617	3.83%
Label	594,894	3.07%
Aluminum Cap	562,298	2.91%
Metal Lug Cap	328,381	1.70%
Films & Electronics Packaging	105,963	0.55%
Others	104,287	0.54%
Total	19,348,249	100.00%

5.1.1.3 Current Product Items

Products		Item
Cap Product	Aluminum cap	Aluminum cap for carbonated drink, functional beverage, hot-fill drink, long neck security wine cap, chicken essence cap, ring pull cap, spiral bottle cap, I.V. injection aluminum cap, iron cap for medicine use, classic aluminum iron box, hologram aluminum cap, QR Code aluminum cap
	Plastic cap	Plastic cap for carbonated drink, mineral water, hot fill drink & aseptic drink, QR Code plastic cap
	Metal lug cap	Metal lug cap with safety button, metal lup cap with high temperature resistance and normal temperature, composite metal lug cap with high temperature resistance
Label Product		PVC/PET shrinkable colorful label, OPP film colorful label, PVC shrinkable colorful bottle cover, classic bottle cover, multi-layer LDPE shrinkable film
PET Bottle		Heat-resistance crystallized PET bottle, mineral water bottle, Soy sauce bottle, CSD carbonated drink bottle, aseptic bottle, wide neck refrigerated bottle, preform
Beverage Filling OEM		Beverage Filling OEM for PET aseptic bottle, PET hot-fill bottle, TR refrigerated bottle, TBA long conserved products
Tobacco & Liquor Packaging Product		Filter connector, filter paper, BOPP film, malt, sorghum, cork, oak barrel, wet silicone rubber, cigarette paper, coated paper, cap seal
Other Product		LDPE shrinkable film for multipack

5.1.1.4 New Products Development

Item	Estimated Amount
1. Household chemicals and seasoning packaging materials	NTD\$ 93.46 million
2. Introduction of eco-friendly packaging material rPET	
3. New specifications and lightweight 1881 aseptic cap and 3025 plastic cap	
4. Long protruded cap, bi-color cap, clamshell cap, etc. for enhanced appearance and usability	
5. Connected cap with environmental protection demands	
6. Development and application of eco-friendly packaging material r-HDPE	
7. PCR shrinkable film and PBAT biodegradable films with environmental protection demands	

5.1.2 Market and Sales Conditions

5.1.2.1 Current Status and Development of the Industry

In the report of 2020 Food Industry Year Book, the gross production value of Taiwan's Food and Beverage Manufacturing Industry in 2019 was NTD\$ 630.3 billion, up by 2.44% from the previous year. Dividing the industry into two segments, the production value of Food manufacturing was NTD\$ 540.7 billion, and the aforesaid amount of Beverage manufacturing (including Alcoholic beverage) was NTD\$ 89.6 billion. As the COVID-19 pandemic spread globally in 2020, Taiwan effectively controlled the disease. In addition, because food manufacturers strengthen the supply of raw materials and stocking up, the production value is, therefore, expected to grow. The Beverage Industry belongs to the domestic demand oriented industry with a highly concentrated market, and the top eight manufacturers make up for over 70% of the entire market scale. Furthermore, in order to intensify the growth energy in beverage market, Taiwan's beverage companies prefer the strategy of cross-border cooperation to launch new flavors which can bring customers innovative experience, so as to increase the beverage market momentum.

According to the statistics indicated by Ministry of Economic Affairs, the sales volume of non-alcoholic beverage in 2019 reached NTD\$ 51.67 billion, increased by 1.2% compared with NTD\$ 51.07 billion in the previous year. In terms of product types, Tea was the leading product which reached NTD\$ 20.03 billion (38.8%). Vegetable juice followed, stood at NTD\$ 5.95 billion (11.5%). Coffee took the third place, stood at NTD\$ 5.6 billion (9.8%), and was followed by Carbonated drinks with NTD\$5.06 billion (9.8%) and Energy drinks with NTD\$ 3.2 billion (6.2%).

In 2019, new food and beverage products were mainly entirely new products, while new packaging products increased noticeably; the entirely new products accounted for 40% (lower than 45% of last year). The extended products of new products series followed and had a proportion of 33% (lower than 36% of last year). Then, the new products with new packaging accounted for 23% (higher than 14% of last year). Overall, the market may maintain certain growth energy due to some factors, such as stable growth of macroeconomics, constant hot weather and continuously stable sales led by new products.

Due to the fact that the beverage industry is maturing, the competition in the overall beverage market has become relatively fierce, and brands manufacturers are launching new brands and new product to win more market share. According to the report of 2020 Food Industry Year Book, the connection between beverages and health is generally accepted by consumers

now, which facilitate the beverage innovation. Also, healthy and functional drinks become the next development direction for beverage companies. In addition, fancy packaging color and design of beverage products provide consumers with sensory experiences and encourage new target audience to buy.

It is already the global trend for the beverage packaging to develop towards lightweight, eco-friendly, carbon footprint and carbon labeling, and so on. Under current phenomenon of global plastic reduction, international beverage manufacturers are gradually turning to green and circular economy products as alternative materials. In the future, there may exist innovative packaging in the beverage market.

In addition, in the recent years, the society has placed great emphasis on food safety; the Company is actively reinforcing the supplier's source management, applying the SAP system to completely track each product's traceability, and strictly controlling the product quality for customers. The Company will keep cooperating with the leading brands in the beverage market, hoping to grasp the mainstream products in the market and continue to expand the market development.

The Company's major product categories are hereby analyzed as the follows:

(1) Cap Product

The closure is an important part of food and beverage packaging, and is also the customer's first contact with the product; the closure has the characteristics to keep the products airtight and to stabilize the quality, and it also has the functions in terms of pilfer-proof opening and safety, so it is extensively used in the bottled products with content. Therefore, the closure is the upstream industry for food industry, beverage industry, chemical industry, pharmaceutical industry and pickles industry, and is also the key product for the packaging of bottled containers.

The early developments of the closure involved the use of cork materials, SPTE (Steel Plated-Tin, Electrolytic) crown closure and iron spiral closure, and they were all imported from places such as Japan and Germany, etc. With the introduction of cap production technology, there are about 30 to 40 cap production operators, and so far, they have gradually developed products such as long neck aluminum closures, carbonated beverage aluminum closures, hot-fill aluminum closures, injection aluminum closures, medicine bottle closures, open pull ring covers, metal lug closure with safety button, and plastic closures, etc. However, as the majority of manufacturers are unable to continue their investments in R&D and quality improvement, and can not meet customer expectations of product value and service, they would withdraw from the cap market due to lack of competitiveness. As a result, the market is highly concentrated with the characteristics of economies of scale.

As the closure plays an important part in the beverage packaging industry, upwardly connecting the metal and plastic raw material industry, downwardly closely related to the beverage industry, the change of demand intensity in the downstream consumption market would directly affect the market demand for closures; and the booming of beverage industry has higher and higher requirements for product packaging, and which also drives the demand for cap products. And cap products stand in a key position in the beverage packaging industry, so the development trend of the beverage industry would directly affect the demand for cap products.

In the cap product market, the demand is stable and showing a growing trend, except for the fact when the packaging materials change, the structure of cap product category would also change accordingly; overall, the use of plastic closures increases proportionally. Even though aluminum closures are partially replaced by plastic closures, it is mainly used in alcohols and functional beverages, and its demand is steadily growing; and the proportional demand for metal lug closures has not changed very much.

(2) Label Product

Plastic colorful labels are mainly used in the external packaging of food and beverage, such as beverage, food, chemical drugs and dairy products, etc. The functions are high elongate strength, impact-resistance, oil-proof, water repellent, etc., so the shiny and remarkable labels can also, at the same time, bring out the products' sense of value to attract consumers; so the color and gloss control are extremely important for the printing of plastic colorful labels. According to the different materials, plastic colorful labels can be categorized into PET shrinkable colorful labels, OPP colorful labels, OPS shrinkable colorful labels, PET + PS co-extrusion shrinkable colorful labels, PVC colorful labels and PLA shrinkable colorful labels.

Conventionally, paper was pasted onto the PET bottles and glass bottles to identify or label the product description. As paper materials are not humidity-resistant, can easily fall off, and would appear to be corroded or turn yellow over a longer storage time, they are not excellent material for external packaging. And the materials used for colorful labels are PET, OPP, etc., they not only have extremely good hot-shrinkable property and can be pasted unto products in various shapes, but also have features such as not falling off easily and with bright appearance, so they are extensively used by all kinds of beverage and food and replace the traditional paper materials.

As the plastic material has features such as impact-resistance, oil-proof, water-repellence, soaking resistance, water temperature resistance, and etc., plastic colorful labels have a more extensive range of applications than does the general labels printed on paper, and can increase the sense of value for packaged products. Therefore, plastic colorful labels play a very important role in the packaging material for the basic commodity industry. Along with the economic development of Taiwan and the increase of gross national income, consumers' taste for the products' packaging selection also gets higher. And for the industry operators in the beverage, food and general supplies industries, while facing the fierce competition in the market, they also have higher demands for the design and requirements of the product packaging materials, so the plastic colorful labels have become one of the indispensable packaging materials. In the recent years, the plastic colorful labels have been paired with PET bottles, PE bottles, PVC bottles and other various types of bottle and jars as supporting marketing to highlight the image and value of packaged products.

(3) Multi-layer LDPE Shrinkable Film

The original monolayer film has poor homogeneity and cannot highlight the properties of the materials. In order to meet the client's requirement specifications, special raw materials of higher unit prices need to be added, and the effects are limited and cannot achieve both elongate strength and shrinkage ratio at the same time. Recently, multilayer LDPE shrinkable films were implemented: for materials LDPE, LLDPE, mLLDPE and HDPE, the elongate strength and shrinkage ratio can be adjusted between the layers according to the clients' specification requirements, and the homogeneity is better and the properties required for each layer can be highlighted, and

the crushed materials and deputy brand materials can also be added into the middle layer to reduce the raw material costs.

(4) PET Bottle

PET bottles' technical trends of the functions such as transparency, lightweight, good preservability, emphasized heat-resistance, reseal ability, pressure-resistance, etc., make them grow continuously in the soft drinks market. Today, PET bottles have become the mainstream packaging for beverages (please refer to the figure below for the Evolution of Packaging Materials in the World). Many kinds of beverages that need to be sterilized at high temperature in order to be filled, such as flavored water, juice, dairy products, tea drinks, sports drinks, soy sauce bottle, etc. have also started, one after the other, to be packaged in PET bottles, so PET bottles have just become the mainstream packaging material for beverage and food products.

As PET bottles have properties that can reduce environmental pollution and energy wasting, at the rise of environmental awareness like today, they have gradually replaced the conventional packaging materials. With functions such as heat-resistance, pressure-resistance and etc., in the recent years, they have replaced various types PP bottles, Tetra Pak, aluminum cans, tin cans, glass bottles, etc., and have become the packaging material with the most growth potential.

The Evolution of Packaging Materials in the World

Evolution	Glass Bottle (About 250 years)	Metal Can (About 200 years) Aluminum Can (About 60 years)	Carton Box & Tetra Pak (About 60 years)	PET Bottle (About 30 years)
Advantage	<ul style="list-style-type: none"> ★ Good Permeability ★ Heat Resistance and Wear Resistance 	<ul style="list-style-type: none"> ★ Light-blocking ★ High Temperature Resistance ★ Not easy to break or damage 	<ul style="list-style-type: none"> ★ Low cost and light-weight ★ Low shipping cost 	<ul style="list-style-type: none"> ★ Low cost ★ Recyclable, can be used repeatedly ★ Form is easy to shape, diversified shapes
Disadvantage	<ul style="list-style-type: none"> ★ Heavier, easy to break or damage ★ Higher shipping costs 	<ul style="list-style-type: none"> ★ Poor Chemical Stability ★ Easy to have peculiar smell 	<ul style="list-style-type: none"> ★ Fixed form ★ Easy to be crushed, damaged and deformed 	<ul style="list-style-type: none"> ★ Shorter shelf life, less than 6 months
Range of Application	<ul style="list-style-type: none"> ★ Alcohols and etc. 	<ul style="list-style-type: none"> ★ Carbonated drinks, beer and etc. 	<ul style="list-style-type: none"> ★ Dairy products, juice, Tea drinks and etc. 	<ul style="list-style-type: none"> ★ 1st Generation – bottled water (30 years) ★ 2nd Generation – carbonated drinks (25 years) ★ 3rd Generation – heat-resistant crystallized bottles (20 years) ★ 4th Generation – beer (already a small amount available in the market, moving towards universal development)

(5) Beverage Filling

The Company's aseptic beverage plants adopt the newest generation of Germany GEA beverage aseptic filling equipment, which can produce low acid beverages (products such as tea, coffee, milk tea, etc.) and aseptic carbonated beverage (products such as soda, juice soda, sparkling water, etc.)

The features of the aseptic PET bottle filling:

- ① The weight of the PET bottles used accounts for 60% of the hot-fill lines, with lower material costs.
- ② In addition to high acid products, low acid products can also be filled.
- ③ The filling temperature is room temperature, so the flavor of the products can be maintained.
- ④ The products can be stored in room temperature.

- ⑤ The products need to be strictly controlled from raw materials, packaging materials to manufacturing process, so the consumers have more quality assurance.
- ⑥ A more extensive range of products can be packaged.
- ⑦ Higher level of processing technology.

5.1.2.2 The correlation among the upstream, midstream and downstream of the industry

The Company's business is mainly in the packaging materials, and due to the fact that the packaging methods for various downstream products are different, product categories of the Company also appear to be diversified. The materials and the manufacturing processes of each product are quite different due to the different requirements of the downstream manufacturers. Therefore, the correlations among the upstream, midstream and downstream of the industries for the Company's main products, such as cap category, label category, PET bottles and beverage filling, etc., is explained as follows:

(1) Cap Category

① Raw Material Suppliers

The upstream supplier of closures provides the closure manufacturers the raw materials required for the production of the products, and the raw materials are generally divided into two types: one is the metal material industry, and the other is the plastic material industry. Among them, the metal material operators provide materials required to produce closures, such as aluminum sheets, iron sheets and SPTE, etc.; the plastic material operators would provide all types of plastic materials, such as plastic grains, Polyester grains, etc., for the production of all types of plastic closures.

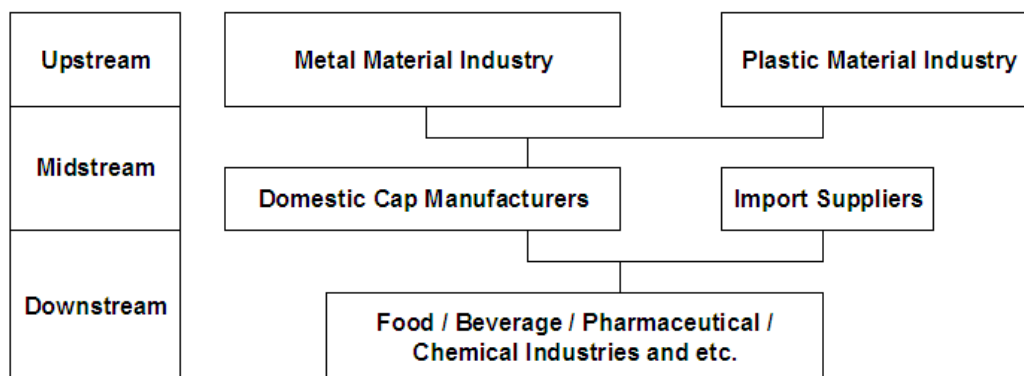
② The Manufacturers and the Import Suppliers

The closure manufacturers are the production operators that integrate raw materials, technology and production equipment; and the import suppliers are the vendors that import all types of closures from abroad in order to meet the domestic demand.

③ The Procurement User or the Final Demander

This type of operators usually belongs in the food industry, beverage industry, pharmaceutical and chemical industries, etc., and their demand for the specification category of closures varies according to the types of products. The types of closures required for all industries can be broadly divided into functional aluminum closures, biotech aluminum closures, high temperature resistant aluminum closures, alcohol long neck aluminum closures, plastic closures and metal lug closures, etc.

The relationships among the closure manufacturers and sellers are as follows:



(2) Label Category

① Raw Material Suppliers

The upstream raw material suppliers of labels belong in the plastic material industry, and the materials can be divided into POLYETHYLENE TEREPHTHALATE (hereinafter referred to as PET), ORIENTED POLYSTYRENE (hereinafter referred to as OPS), POLYVINYL CHLORIDE (hereinafter referred to as PVC) and ORIENTATION POLYPROPYLENE (hereinafter referred to as OPP), and other eco-friendly materials (such as ORIENTATION PET, C-PET, OPS and PLA shrinkable film), to provide the raw materials for shrinkable films in order to supply for the production of labels.

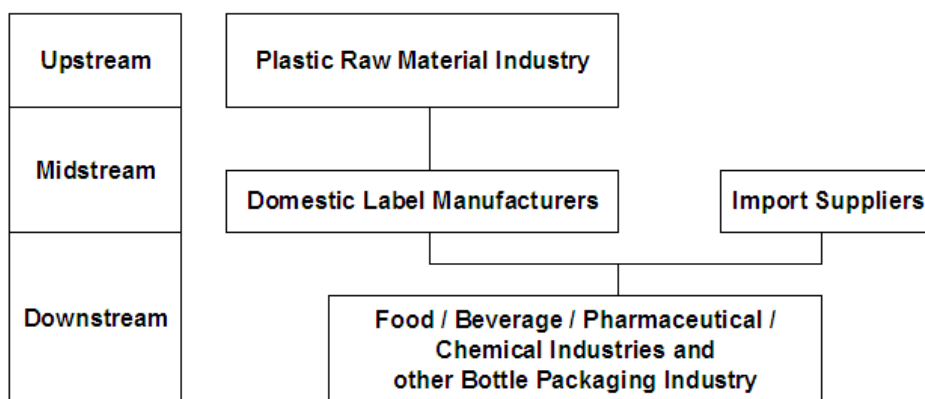
② The Manufacturers and the Import Suppliers

Domestically, there are many manufacturers that produce label products, so the competition is fierce in the market; in addition to the domestic labels, our country also imports labels from abroad annually to supply for the demand in the domestic market.

③ The Procurement User or the Final Demander

Labels are mainly used in the external packaging for food, beverage, pharmaceuticals, chemicals and other bottles.

The relationships among the label manufacturers and sellers are as follows:



(3) PET Bottle

① Raw Material Suppliers

The upstream raw material suppliers of PET bottles belong in the plastic material industry, and the material is Polyester grains, the major raw material for PET bottles.

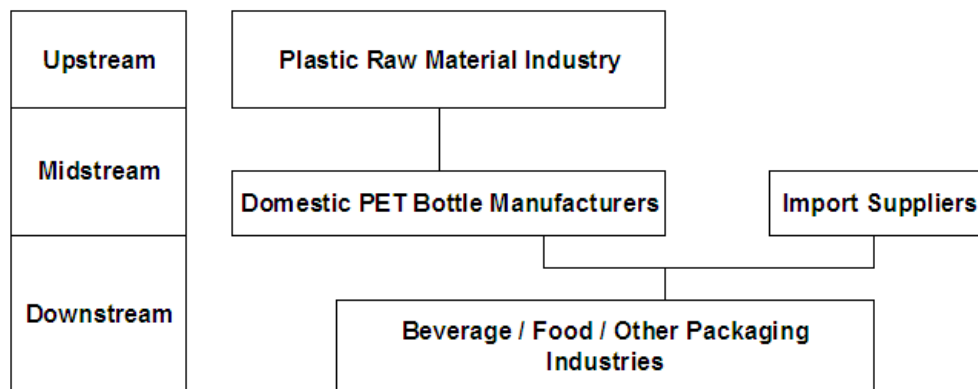
② The Manufacturers and the Import Suppliers

Domestically, there are quite a few PET bottle manufacturers, and their experience and technology are maturing; our country also imports PET bottles from abroad annually to supply for the demand in the domestic market.

③ The Procurement User or the Final Demander

PET bottles are considerably used in low temperature and hot-fill juice, tea, carbonated drinks, coffee, mineral water, sports drinks and soy sauce bottle.

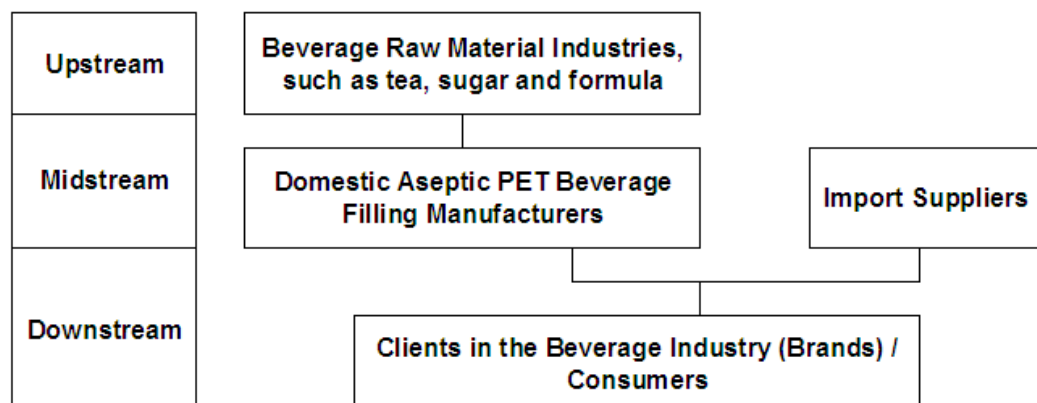
The relationships among the PET bottles manufacturers and sellers are as follows:



(4) Beverage Filling

The clients entrust our company for beverage OEM, so we can form a strategic cooperation of work specialization; the clients can provide us the professional R&D formula and raw material suppliers, and HON CHUAN can provide high quality and sufficient packaging and filling OEM services, so the clients can dedicate themselves to the brand marketing and channel development of beverages. The integration of two parties can complement each other and create an impressive synergy.

The relationships among the Beverage Filling manufacturers and sellers are as follows:



5.1.2.3 Development Trend and Competitive Situation of Major Products

(1) The Development Trends of the Products

① Cap Category

As closure is an indispensable part of beverage packaging, the development trends in the cap industry are closely related to the development trends in the beverage packaging industry. The development trends of beverage packaging are analyzed as follows:

Currently, the beverage packaging, commonly seen in the market, according to the materials, can be divided into four categories, including paper packaging, plastic packaging, metal packaging and glass packaging. As for the opinion which category of packaging material is suitable for which beverage packaging method, following the continuous improvement of the material technology, has changed greatly. However, as the packaging material must match the product characteristics and consumption patterns of the beverage itself, each type of packaging material still has different market shares in all kinds of beverage market segments. PET bottles have become the mainstream packaging material for global beverage market and continue to grow, so plastic closures, used with PET bottles, are also the mainstream of packaging.

Nevertheless, plastic and glass material packaging can also use plastic closures or metal closures, and the key is determined by the characteristics of the beverage products themselves; metal packaging, due to its material characteristics, are mainly used in metal closures and closures bottles, and the cap products it can also use are aluminum closures and SPTE (Steel Plated-Tin, Electrolytic) closures.

As Taiwan consumers' awareness of health care gradually grows, the demand for biotech type healthy food is also increasing day by day, which can drive up the market demand for aluminum closure.

Due to the characteristics of various shapes and applicability to the fast moving consumer goods supply chain, PET bottle has become the mainstream packaging material in the beverage market with its market share increasing year by year. Furthermore, the PET bottle and plastic closures can be classified and reused in the process of recycling, which prove the fact that PET bottle a highly sustainable material, and the added value of PET bottle can be enhanced.

② Label Category

Nowadays, Environmental Protection Administration, in response to the price fluctuations of the international raw materials and to promote the eco-friendly design for container products, has further considered the overall objective and subjective factors, by revising the container recycling cleaning and processing fees to be effective on July 1, 2012; and for those who adopt easy to remove design for PET containers labels, there were programs to provide them with preferential fees, in order to stabilize the resource recovery fund and the operation of the recycling and processing system, and to enhance the benefits from recycling and processing waste containers. For those who still use containers with PVC material attachments, twice of the processing fees would

be imposed on them, as the expectation is for the beverage plants to replace the PVC shrinkable films with PET shrink labels and increase the use of easy to tear lines.

At present, approximately 90% of the market used PET labels, and the rest of 10% used other materials.

Since 2019, the Company has introduces advanced flexo printing system from Europe using UV inks with low VOCs (Volatile Organic Compounds) , and starts production in 2021 so as to enhance the quality of our packaging products with better touch, hot-foil stamping for high-gloss effects, or anti-counterfeit technologies. In this way, Hon Chuan can operate in an eco-friendly manner to fulfill our corporate social responsibility.

To follow the global trends of environment protection and plastic reduction, the Company introduced 30%PCR PET shrinkable film and started production in 2020, in order to increase the recycling rate.

③ PET Bottle

PET bottles have gained a pivotal position in the development of the beverage industry, according to the survey by relevant research institute, such as Canadean Ltd., half of the soft drinks globally adopt PET as the packaging material.

PET first appeared in the United Sated, and later was promoted in Europe and Asia, and further became a global packaging material, as the application and function of PET kept growing, it is now extensively used in the beverage market. Among the very many types of packaging, the usage of PET bottles has been the fastest growing. Soft drinks and mineral water are the two kinds of beverages that use the PET bottles the most globally. Many brewers have even started to identify the feasibility of PET bottled beers, as, in addition to glass bottles, PET bottles can also be used to enrich the packaging style of beers to cater to some special occasions.

PET bottles have features such as lightweight, good preservability, convenience to use and ship, and when it is paired with the same material plastic closures, the whole PET bottles can be recycled; in the process of recycling, the PET bottle and plastic closures can be classified and reused, and the added value of PET bottle can be enhanced. Furthermore, as PET bottles have properties that can reduce environmental pollution and energy wasting, at the rise of environmental awareness like today, they have gradually replaced the conventional packaging materials. Therefore, at the present stage, PET bottles have become the mainstream packaging material for global beverage products.

④ Beverages Filling

During the aseptic filling manufacturing process, the products would undergo an ultra-high temperature sterilization of 130°C instantaneously and then after rapid cryogenic cooling, they are sent directly for filling at the PET filling machine in the clean room, and the process can fully preserve the aroma and

flavor of tea. The advantages of aseptic filling method are not only of sterilization function but also ensuring the original flavor and aroma of products, so it is suitable for sensitive beverage. Its shelf life is longer than hot filling method and filling at room temperature then sterilization, so the development of aseptic filling is the milestone of the development technology for PET bottles. As PET aseptic filling have functions such as sterilization and keeping the original aroma and flavor of products, in addition, in the recent years, the booming of tea drinks, fruit & vegetable juice and coffee beverage, etc. globally has helped PET gradually gain the market recognition, and its growth is expected to continue to rise up.

(2) The Competition Situation of All Types of Products

As our company's cap category products are of excellent quality and complete specifications, and we can provide a complete set of comprehensive services to our clients, so we are in a leading manufacturer position in the domestic cap market. As PET bottles have become the mainstream in the beverage packaging market, our company can not only produce the PET bottles that are suitable for high temperature filling or beverage that required high temperature processing (such as carbonated beverage, tea drinks, juice and etc.), but also can further focus on developing aseptic PET bottles and the OEM of aseptic filling beverage at higher technical levels and wider applied areas. As our company can provide our clients related packaging materials such as PET bottles, closures, labels, etc., and can provide filling OEM services for the clients; our comprehensive services can let clients save costs with one-stop shopping, so the competitiveness has increased greatly.

5.1.3 Technology and R&D Overview

The R&D expenses and the technology or products successfully developed in the recent fiscal year and up to the annual report printing date:

Unit: NTD\$ Thousand

Year	R&D Fee	R&D Achievements
2020	92,061	1. 38mm bottle neck 500ml hot fill bottle 2. 1881 bottle neck 600ml soda bottle
As of March 31, 2021	26,120	3. 38mm bottle neck 265ml, 320ml, and 450ml freezing bottle 4. 30mm, 32mm bottle neck 395ml soy sauce bottle 5. 1881 bottle neck 350ml, 450ml, 525ml, 580ml, 910ml, and 975ml aseptic bottle 6. 38mm bottle neck 250ml aseptic bottle 7. 1881, 3025 soda, water connected cap 8. BPKS lightening plastic cap 9. 45mm family sized bottled water 6L plastic cap 10. 37 mm essence of chicken cap 11. 42 mm bird's nest cap 12. T-Type aluminum cap with high temperature resistance 13. 30 x 60mm long neck aluminum cap 14. Spiral iron cap/aluminum cap 15. Introduction of low-VOC UV ink 16. Introduction and mass production of 30% PCR PET shrinkable film

5.1.4 Long-Term and Short-Term Business Development Plans

5.1.4.1 Short-Term Business Development Plans

- (1) Apply routine management; reinforce personnel training and taking root, sales & marketing capabilities, customer service, depth management and the concept of cost of sales, to enhance the competitiveness.
- (2) Grasp the latest market and society trend with innovative thinking and ideas; apply modern technology and information system to development of products and service qualified for clients and customers' need.
- (3) Adopt the winning strategy by fulfilling our role in the industry, paying attention to deepening customer management and services, achieve customer satisfaction, customers touched, customer brand life trust, in order to gain the trust of the customers, and actively develop the domestic and international markets.
- (4) Emphasize on the external market mechanism, get closer to customers' needs, and reinforce the upgrade of all management core competencies internally.

5.1.4.2 Long-Term Business Development Plans

- (1) Servitization of Manufacturing: The Company is committed to vertical Integration in order to meet customers' demand for one stop shopping, providing comprehensive production, responsibility and services.
- (1) Diversified operation, commitment to vertical integration, to establish product differentiation and competitive advantage.
- (2) Actively cooperate with major international brand, and establish global action arrangements.

- (3) Continuously promote the IN-HOUSE innovative commercial business model to domestic and international customers, and build long-term stable cooperative relationships with the customers by providing packaging materials of high quality and low costs, in order to ensure the Company's future growth and profitability.
- (4) Sign the supply contracts that guarantee both prices and quantities, adjust OEM prices with the price fluctuations of the raw material, avoid raw material fluctuation risk to ensure the Company's revenues and profits, and at the time, assist the customers broaden their market shares and resource sharing, to achieve win-win co-operations.

5.2 Markets and the Overview of Production and Sales

5.2.1 Market Analysis

5.2.1.1 The Sales (Providing) Regions of the Major Products (Services)

The Company's major products in 2020 were: all types of aluminum closures, plastic closures, lug closures, labels, performs, PET bottles, beverage filling, and etc., and for the markets, except for Taiwan, Mainland China, Thailand, Malaysia, Cambodia, Indonesia, Vietnam, Myanmar and Mozambique where there were mainly considered local domestic sales, the Company sold to the remaining countries by export. The main sales targets are all food, beverage, cosmetic and drug industry. The sales regions are mainly Taiwan, Hong Kong, Singapore, Malaysia, Cambodia, Mainland China, Japan, Thailand, Indonesia, Philippines, Vietnam, Myanmar, New Caledonia(Oceania), Australia, New Zealand, Canada, USA, Pakistan, Oman, Africa, Sri Lanka, Palau, Vanuatu, Ghana, Malawi, Haiti, Mongolia and so on.

5.2.1.2 Domestic Market Share of Major Products

Item		Sales of Domestic Market (NT\$ Thousands)	THC Market share (%)
Closure Products	Aluminum Cap	650,000	74%
	Plastic Cap	1,100,000	59%
	Metal Lug cap	280,000	80%
PET Bottle		2,252,000	61%
Label		1,050,000	31%

5.2.1.3 Future Market Supply and Demand and Growth

The major products of our company are closures, labels, PET bottles and beverage filling, and etc., and the future market supply and demand and growth for each major product are explained as follows:

(1) Cap Category

The cap products include all kinds of materials such as aluminum closures, lug closures, plastic closures, etc., and the range of application covers industries such as beverage industry, food industry, alcohols, cosmetic and etc.; under the demand for packaging material diversification and small-scale bundled sales, the sales volume of the overall cap category is estimated to show a stable growth trend.

In the recent years, the Company also introduces QR CODE to provide the clients more diversified marketing activities, and at the same time to acquire the collection and statistical analysis of large data, along with the latest aluminum closure stamping anti-fraud technology, new type eco-friendly liner style TPE aluminum ring pull closures and metal lug closures, in order to increase the competitiveness of beverage products in the market.

(2) Label Category

By coordinating with PET bottles the company is actively developing, and by developing the trends of supplying the clients' need with bundled sales and all large labels, the sales volume is predicted to grow slightly.

Since 2007, the Environmental Protection Bureau has been vigorously promoting for the beverage industry to change the labels from the previous PVC material to a material that is suitable for recycling and eco-friendly. Our company has fully cooperated in the label conversion to the eco-friendly replacement labels material PET and OPS, etc. and also the design of labels that are easy to remove.

(3) PET Bottles

As the modern people pay more and more attention to healthy appeals (including tea beverage, juice beverage, etc.) with a growing trend every year, plus the two-day weekend system, the consumers now have more leisure time for outing, so relatively, the convenience to carry personally and the PET bottles that can transform the shapes of containers have become the trends for packaging bottles.

(4) Beverage Filling

The future packaging trend in Taiwan's beverage market is predicted to be aseptic filling oriented, and this will also be the common trend around the world. There is a lot of room for growth in the future beverage market, so Hon Chuan will increase market share with strategic alliance.

5.2.1.4 Competitive Niche

(1) The Company's business model continuously innovate, focus on the clients, and provide customer-oriented services.

The Company grasps the market development trends and customer service needs in each stage, from the single-item sales (closures or labels or PET bottles), to all-in-one packaging sales (closures + labels + PET bottles), to full bundled package sales (closures + labels + PET bottles + filling OEM + packaging + warehousing), to manufacturing as a service (OEM with materials included, ODM, resident inspector coalition services, joint venture, etc.), to provide satisfactory services to the clients.

(2) Actively broaden the market share with the IN-HOUSE model:

① Hon Chuan, with more than 40 years' excellent technology and credibility guarantee, in addition to providing the three-in-one products and services consisting of closures, PET bottles, labels, in order to serve the clients, to enhance clients' market competitiveness, and to establish closer partnership with the clients, has further actively created resident inspection IN-HOUSE strategic alliances with the clients.

② The successful mode of international beverage company (such as Coca

Cola / Pepsi Cola and so on) is emphasizing on brand management and marketing channel and delegating professional OEM company to do production, in order to grab a bigger source and power to swiftly enhance competitiveness and market share.

- ③ The IN-HOUSE model refers to Hon Chuan investing in the PET bottle blowing equipment and has them installed right inside the clients' plants and have them connected with the clients' filling machine for production, and the closures, labels, preforms, and etc. are also provided by Hon Chuan.

The advantages of IN-HOUSE coalition production are as follows:

- Ensure the sufficient supply and uniformity specification of the PET bottles.
- The adoption of the most advanced equipment can enhance production efficiency and reduce defect ratio.
- Coalition production provides more assurance in terms of quality control, safety and health.
- With coalition production, the production of lightweight PET bottles can be realized to economize on raw material costs and environmental recycling expenses.

- ④ Re-Evolution of IN-HOUSE model: To extend the services from installing the original closures, preforms, and glass-blowing equipment to beverage filling equipment, to provide the clients the full bundled package and services, including injection at the front end, bottle blowing, to filling at the final end.

- (3) The Company thinks highly of putting the spirit of "Innovation" into action, and actively research and develop all types of new niche products and new niche technology to elevate the product functionality and added value, such as anti-fraud aluminum closures, aluminum closures stamping/transfer printing, digital print plastic closures, laser QR code plastic closures, thermal sensitive ink labels, PVC Free lug closures, and to serve the clients' needs and guarantee our company's leadership position.
- (4) Provide comprehensive services to our clients, through vertical integration and bundled sales, to strengthen customer relations.
- (5) The industry is with the vision for growth, so we actively move towards international development.
- (6) With the foundation such as resource integration conducted by the Group headquarters in Taiwan, the management teams, etc., we actively develop the markets in Greater China, Southeast Asia, and Africa, and the growth potential can be expected.
- (7) Hon Chuan Enterprise adopts the winning strategy by focusing on the present industry, paying attention to customer services, diversifying operation, committing to vertical integration and product differentiation, practicing the strategy to cooperate with major brands, emphasizing on the external market mechanism, getting closer to customers' needs, and strengthening to enhance all management core competencies internally as the direction to put in our efforts.

5.2.1.5 The Favorable factors and Unfavorable Factors of the Development Prospect and the Countermeasures

Items	Favorable Factors	Unfavorable Factors	Countermeasures
1. The future development situations of business operations	<ol style="list-style-type: none"> 1. The products have eco-friendly appeals and are easy to be accepted by the consumers, so the future prospects look good. 2. Actively develop the international market and expand export business. 3. With the bundling and integration of packaging materials, the clients are provided with even more convenient services. 	There is labor shortage, so the wage costs are increasing.	<ol style="list-style-type: none"> 1. Actively improve existing machinery and equipment and strive to move towards the direction of high level of automation. Cooperate with China Productivity Center to carry out the improvement of production processes, and conduct the research of material formula with Plastics Industry Development Center to enhance output efficiency. 2. To respond to the demand for labor by introducing part of foreign laborers to help with production and to improve the situations with labor shortage and wage increases.
2. The sales status of the major products	<ol style="list-style-type: none"> 1. The packaging products we produced spread around an extensive range, so by the same token, we can satisfy our clients' need for all kinds of packaging materials; as the extensive range of products can be applied to the use of various types of packaging containers, the business risks can be diversified. 2. The equipment for the major products aluminum closures, plastic closures, and lug closures have high utilization rates, and their productions have reached the scale of mass production, so the costs can be effectively reduced and the products have great price competitiveness. 3. It has leading advantages in terms of technology and the marketing system, and has been granted the patents for all kinds of cap products in Taiwan, Mainland China, Japan and USA, etc., so the product synergy can be put into action. 	Our company's products belong in the packaging industry. Even though our products do not change as rapidly as the electronic products, the packaging products do change rapidly as the consumption habits change quickly; we need to constantly develop new products to satisfy the clients' demand for diversification.	<ol style="list-style-type: none"> 1. To establish the R&D department, actively recruit talents, and apply foreign technology in order to improve professional qualities and product standards. 2. Constantly pay attention to the market trends, and participate in exhibitions overseas to collect relevant information.
3. Position in the industry	<ol style="list-style-type: none"> 1. Our products are the leading brands domestically, received certification from international well-known beverage plants, and have vast marketing channels. 2. We have leading R&D technology, high degree of facility automation, and good process capabilities, so we are in the leading position of the industry. 	There are quite a few small plants and which could easily result in pricing competition of products.	<ol style="list-style-type: none"> 1. Develop products with high added value and high quality. 2. Actively develop the international markets, constantly develop new products and become the leader in the integrated packaging industry.
4. The supply	All the suppliers of our company's	The increase of raw	Sign long-term purchase

Items	Favorable Factors	Unfavorable Factors	Countermeasures
status of the major raw materials	major raw materials are domestic or foreign well-known manufacturers, (such as C.S. Aluminum Corporation, Formosa Oil, Korean HYOSUNG), and we maintain good long-term cooperative relationships with all of the suppliers.	material prices causes the increase of costs.	contracts with both domestic and foreign well-known manufacturers to ensure price stability. Actively develop alternative materials and formula to reduce the costs.
5. Financial condition	The financial structure of our company is sound with good solvency, and the short-term capital turnover is also good, the ratio of long-term capital to fixed assets has also achieved a reasonable level, and the sales and profitability both show stable growth.	Our company constantly invests in new products and needs to purchase new equipment, so we need a considerable amount of capital.	As our company is a public listed company, the fund-raising channels from the capital market are increased, and this will be beneficial for our company's long-term stable development.

5.2.2 Important Applications and Production Processes of Major Products

5.2.2.1 Important Applications of Major Products

(1) Aluminum Cap Category:

The products include hot-fill temperature resistant aluminum closures, carbonated beverage aluminum closures, injection pilfer-proof aluminum closures, chicken essence bottle closures, pull ring covers, long neck anti-fraud aluminum closures, iron cap for medicine use, biotechnology category, functional beverage, etc., and the wide variety are applicable for the demand of all types of products, such as healthy food, alcohols, medicines, healthy food, etc.; each item of product has pilfer-proof function, so the safety of the products is guaranteed; the domestic monopoly bureau, and all major beverage, food, and pharmaceutical manufacturers are our clients.

(2) Plastic Cap Category:

They are made of special synthetic PP and PE plastic materials, with better anti-impact effect and heat resistance than other plastic materials. They are available in all types of specifications, such as 28 m/m, 30 m/m, 38 m/m, 45 m/m, lightweight plastic closures, etc., and the leakage angle of the new style patented design is greater than its breakage angle, so it can effectively protect the quality and safety of the content. So far, we have developed, on our own, a variety of different specifications for lightweight closures, such as BUUV type, BP type, BHUV type, BHC type, BHP type, BHA type, BC type, YPL type, 1881 type, 3025 type, KBPV type, BPKS type, etc., and we have been granted several patent rights and were approved by Coca-Cola & Pepsi-Cola international to be qualified; they are extensively used for products such as mineral water, carbonated beverages, hot-fill beverages, etc., and there is great development potential with excellent prospects.

(3) Lug Cap Category:

They are applicable for all types of products, such as pickles and healthy food, as the most advanced food-grade eco-friendly rubber and liner are used and they can resist high temperature treatment and maintain the standard degree of vacuum; with the vacuum safety button, there is an additional layer of safety assurance for the products.

(4) Label Category:

They are suitable external packaging for soft drinks, beverage, mineral water, chemicals, food, instant noodles, medicines, etc.; with great elongate strength, impact resistance, oil-proof, water repellence, the shiny and remarkable labels can increase the sense of value for products.

(5) PET Bottles:

They can be used for mineral water, carbonated beverage, high temperature sterilization and hot fill beverage, and the range is extensive, such as mineral water, flavored water, tea drinks, juice, coffee, sports drinks, juice flavored soft drinks, dairy products, soy sauce bottle, etc.

(6) Beverage Filling:

In addition to high acid products, low acid products (tea, coffee, dairy products, etc.) and aseptic carbonated beverage (products such as soda, juice soda, sparkling water, etc.) can also be filled, so the consumers are provided with products with good flavor and safety; as the production process is room temperature filling, so the packaging container (PET bottles) can be lightweight, and which reduces the costs and has more eco-friendly effects.

5.2.2.2 Production Processes of Major Products

(1) Aluminum Cap Category

a. Aluminum sheet → raw material aluminum sheet – coating & printing → automatic slitting → automatic cap pressing → automatic knurling → high frequency liner forming (with liner and gluing) → laser QR Code inside → computer visual inspection → finished product

b. Aluminum sheet → raw material aluminum sheet – coating & printing → automatic slitting → automatic cap pressing → clean → security burn printing → braille → polish → knurling → liner → computer visual inspection → finished product

c. Aluminum sheet → raw material aluminum sheet – coating & printing → automatic slitting → automatic cap pressing → high frequency liner forming (TPE) → computer visual inspection → finished product

d. Iron sheet → coating & printing → wax spraying → automatic slitting → automatic cap pressing → rolling → automatic knurling → gluing (with liner) → visual inspection → finished product

(2) Plastic Cap Category

Material casting → injection, press molding → shape modifying → cutting → printing → liner forming → laser QR Code → computer visual inspection → finished product

(3) Lug Cap Category

a. Printing and coating iron sheet → wax spraying → cap pressing → pre-rolling → forming → gluing → oven → computer visual inspection → finished product

b. Printing and coating iron sheet → wax spraying → cap pressing → pre-rolling → forming → gluing → oven → combination → computer visual inspection → finished product

(4) Label Category

Draft creation→copperplate→ printing→automatic inspection machine →slitting→ center-seal and gusset →slicing →inspection→finished product

(5) PET Bottles

Raw material continuous drying treatment→preform injection and molding→automatic inspection machine→preform crystallization (applicable for hot-fill beverage)→automatic inspection machine→glass blowing→ automatic inspection machine → labeling→ inspection→finished product

(6) Beverage Filling

Material casting→blending→sterilization→ aseptic barrel→ not aerating (aerating) →aseptic filling→ capping→ jet printing → labeling →finished product

5.2.3 Supply Status of the Major Raw Materials

Major Product	Major Raw Material	Major Supplier	Supply Situation
Aluminum Cap	Aluminum sheet	CSAC, Italy aluminum industry, Shen Fa	Good
Plastic Cap	PP chip, PE chip, Liner, Slip agent	Hanwha, USI, Min Yen, GCM, Kuan Yeh, Nantex, LCY, Hyosung, Basell, Formosa plastics, Wewill	Good
Metal Lug Cap	Iron sheet	Sumitomo, Uni-president	Good
Label	PET film, PVC film, OPP film, Pearlized film, Ink	SKC, Far Eastern, Poly, Topglow, General Ink, Champoin Ink & Paint, Sungbo, Flint Group, Chi-Hsiang	Good
PET Bottle	PET resin	Nan Ya, Shinkong, Far Eastern, Jiangsu Xingye Plastics	Good
Beverage Filling OEM	Tea, Fructose, Sugar, Condensed milk, Milk powder, coffee powder, Carton and etc.	Li Yu, Tairoun, Taisugar, MitaCharm, Foodarts, Mauritius, TetraPak, twfysugar, Jiaher Paper, Cheng Loong, UCC and etc.	Good

5.2.4 List of Major Suppliers/ Customers in the most recent two years

5.2.4.1 List of Major Suppliers

List, purchases amount and ratio of Major Suppliers with over 10% of the total purchases in one of the last two years:

Unit: NTD\$ Thousand

Item	2019				2020				As of March 31, 2021			
	Name	Amount	Percentage of the annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases up to the last quarter of the year (%)	Relationship with the issuer
1	X	1,058,272	9%	None	X	945,391	10%	None	X	269,256	10%	None
2	Others	10,411,799	91%	None	Others	8,485,807	90%	None	Others	2,361,113	90%	None
	Net Purchases	11,470,071	100%		Net Purchases	9,431,198	100%		Net Purchases	2,630,369	100%	

5.2.4.2 List of Major Customers

List, sales amount and ratio of Major Customers with over 10% of the total sales in one of the last two years:

Unit: NTD\$ Thousand

Item	2019				2020				As of March 31, 2021			
	Name	Amount	Percentage of the annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of net sales up to the last quarter of the year (%)	Relationship with the issuer
1	Y	2,003,526	9%	None	Y	1,883,323	10%	None	Y	456,392	9%	None
2	Others	19,523,822	91%	None	Others	17,464,926	90%	None	Others	4,667,511	91%	None
	Net Sales	21,527,348	100%		Net Sales	19,348,249	100%		Net Sales	5,123,903	100%	

5.2.5 Production volume over the Last Two Years

Unit: NTD\$ Thousand/1,000 Pcs/1,000 Kgs/1,000 Boxes

Category \ Year	Unit	2019			Unit	2020		
		Capacity	Quantity	Value		Capacity	Quantity	Value
PET Bottle	pcs	12,917,054	6,147,715	5,568,624	pcs	15,428,539	6,600,512	5,280,235
Beverage Filling(Note 1)	pcs	3,988,138	1,939,531	5,022,646	pcs	4,037,491	1,735,292	4,573,948
Plastic Cap	pcs	39,818,088	25,478,754	4,067,814	pcs	38,944,512	23,305,164	3,318,670
Label	pcs	9,089,658	2,416,076	639,565	pcs	10,481,009	2,314,175	585,707
Films & Electronics Packaging	kg	8,202	2,176	104,987	kg	8,202	1,981	82,879
Tobacco & Liquor Packaging		-	14,100	1,117,873		-	1,411	387,843
Aluminum Cap	pcs	1,629,072	718,759	395,385	pcs	1,629,072	710,346	361,501
Metal Lug Cap	pcs	279,158	223,320	193,649	pcs	356,918	258,321	214,026
Beverage Filling (TR & TBA)	box	195,700	132,528	551,524	box	195,700	127,615	528,529
Other		-	37,972	46,299		-	46,720	33,226
Total				17,708,366				15,366,564

Note 1: Beverage filling includes PET Bottle, Label, Plastic Cap

5.2.6 Sales volume over the Last Two Years

Unit: NTD\$ Thousand/1,000 Pcs/1,000 Kgs/1,000 Boxes

Category \ Year	Unit	2019				Unit	2020			
		Domestic		Overseas			Domestic		Overseas	
		Quantity	Value	Quantity	Value		Quantity	Value	Quantity	Value
PET Bottle	pcs	4,983,752	5,548,289	415,958	726,050	pcs	5,482,004	5,421,715	450,946	716,844
Beverage Filling(Note 1)	pcs	2,036,161	5,909,382	5,995	49,378	pcs	1,788,843	5,180,838	7,602	79,683
Plastic Cap	pcs	24,452,192	5,336,651	1,478,451	346,094	pcs	22,674,354	4,609,643	1,081,201	242,967
Label	pcs	2,063,765	594,357	86,988	45,359	pcs	1,976,654	552,899	88,446	41,995
Films & Electronics Packaging	kg	1,902	103,126	-	-	kg	2,039	105,963	-	-
Tobacco&Liquor Packaging		12,143	602,274	35	560,751		4,062	409,344	24	331,273
Aluminum Cap	pcs	633,097	531,179	86,049	58,400	pcs	629,657	503,838	92,348	58,460
Metal Lug Cap	pcs	170,803	245,640	53,718	66,185	pcs	184,191	251,721	64,558	76,660
Beverage Filling (TR & TBA)	box	132,549	682,746	-	-	box	127,587	660,119	-	-
Other		46,245	108,343	168	13,144		59,160	97,706	32	6,581
Total			19,661,987		1,865,361			17,793,786		1,554,463

Note 1: Beverage filling includes PET Bottle, Label, Plastic Cap

5.3 Human Resource

Employees' information in the last two years and up to the date of printing this annual report:

As of March 31, 2021

Year		2019		2020		As of March 31, 2021	
Number of Employees	Direct	2,591		2,628		2,773	
	Indirect	2,051		2,072		1,883	
	Total	4,642		4,700		4,656	
Average Age		33.47		33.58		33.34	
Average Years of Service		5.41		5.57		5.78	
Education	Ph.D.	0	0.0%	0	0.0%	0	0.0%
	Masters	102	2.20%	112	2.38%	110	2.36%
	Bachelor's Degree	1,975	42.55%	2,078	44.21%	2,078	44.63%
	Senior High School	1,812	39.03%	1,649	35.09%	1,628	34.97%
	Below Senior High School	753	16.22%	861	18.32%	840	18.04%

5.4 The Expenditure for Environmental Protection

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

5.4.1 The total amount of loss (including compensation) and fine which caused by polluting environment

- A. On September 11 and 20, 2018, the Environmental Protection Bureau of Taichung city government came to the Company for examining and auditing air pollution control issues in company with Taiwan Taichung District Prosecutors Office. Because the air pollution control equipment in the Label plant of the Company didn't reach the regulatory standards, emission amounts exceeded the contents of the license, and internal executive units didn't follow up the latest regulations update, which caused air pollution control fees under-reported for the past periods, the Environmental Protection Bureau of Taichung city government, by No. 1080045552 on May 2, 2019, had recalculated the fee from the 3rd quarter of 2013 to the 2nd quarter of 2018 in accordance with Article 75 of the Air Pollution Control Act and requested the Company to pay double the amount of the fee rates for pollution source emissions, which was in total NT\$125,869,455 (has been recognized in the 2nd quarter financial report of 2019). The Company has paid the fine within the time limit, and sought for administrative relief. The Taichung High Administrative Court decided against the Company on October 8, 2020, and the case is currently appealed to the Supreme Administrative Court. Regarding the above-mentioned lack of

environmental safety, the Company has completed the improvement after the event.

Due to the above incidents, the prosecutor from the Taiwan Taichung District Prosecutor's Office institutes a public prosecution in 19 people including the Company for violating the Air Pollution Control Act and the Offenses of Fraudulence of Criminal Code of the Republic of China, and requested them to pay NTD\$ 77,298,948(has been recognized in the 3rd quarter financial report of 2019). The content contained in the indictment of the Taichung District Procuratorate Office is partly different from the facts. In addition, there may exist doubt about double payment between the above-mentioned payment and the amount of NTD\$ 125,869,455 for the air pollution fee from the 3rd quarter of 2013 to the 2nd quarter of 2018 paid by the Company to the Environmental Protection Bureau; the company has appointed lawyers to undertake relevant research and assist in the subsequent defense. The whole case (No. 2479 in 2019) is pending in the Taiwan Taichung District Court.

- B. In June 2020, because the productivity of injection moulding process in the plastic cap plant increased, the annual consumption of related raw material HDPE exceeded the allowable difference by 10%. Moreover, with new printing process adding into cap manufacturing production, the Company did not immediately sent application to modify the contents of stationary pollution source operating permit. On August 17, 2020, the Environmental Protection Bureau fined the Company NT\$100,000 (No. 1090090104) for violating Article 24 of the Air Pollution Control Act and Article 23 of the Stationary Pollution Source Installation, Operating and Fuel Use Permit Management Regulations Amended Clauses. The Company has completed the improvement after the event, and paid off all fines on September 10,2020. On November 20, 2020, the Company received the trial operation notification from the Environmental Protection Bureau, and completed trial operation on December 15 and 16,2020. On March 10, 2021, the Company obtained the operating permit issued by the Environmental Protection Bureau.

5.4.2 Countermeasure (including improvement) and possible expenditure in the future

1. The Company has introduced the ISO 14001 Environmental Management System to reduce environmental risks and increase our positive environmental impact.
2. As of the end of 2020, a total of 55 people in the Company have been certified with licenses for air pollution control, wastewater treatment, waste disposal, and toxic chemical substances technician.The training for environmental dedicated personnel is aimed to be conducted continuously.
3. The Company has recruited several environmental safety specialists, cooperated with the Environmental Protection Bureau to hold teaching workshops on pollution prevention practices in printing, and also cooperated with the Industrial Technology Research Institute to improve the air pollution control equipment. Their responsibilities are to increases the understanding and training of environmental protection regulations in all plants, promptly update related laws, and fully implement procedures related to environmental protection law, occupational safety, environmental sanitation,
4. The Company has purchased related control equipment. In 2019, the projects of VOCs system equipment replacement cost about NT\$ 56.44 million, and new air control equipment cost about NT\$ 35.8 million; in 2020, several improvement projects had been arranged, such as the gas collection equipment in the plastic

cap plant and label plant and the establishment of negative pressure room in the film plant; other environmental protection investment cost approximately NT\$ 23.53 million. In the past two years, the Company totally invested about NT\$ 116 million. While other relative projects of air pollution control equipment are in progress, we will persistently carry out environmental protection policy in fully compliance with the laws.

5. In order to demonstrate our determination to continuously improve and promote environmental protection, the Company has purchased label UV flexo printing machines from Italy, which have a number of advantages, such as no solvent, no VOCs(volatile organic compounds) emissions, no residual ink to reduce waste, accurate color, automatic plate change, and so on. The equipment is able to provide environmental, safe, and high texture label products, thoroughly solving the problem of air pollution emissions, hope to actively contribute to environmental protection.
6. Comply with toxic and chemical substances regulations. Assess in advance and register to local Environmental protection bureau before implementing, keep records and report regularly during the implementation, also, conduct issues related to personnel training, hazard evaluation and prevention to prevent from destroying natural ecosystems and damaging property due to the operation of chemical substances.

5.4.3 Policy of Environmental Protection and Employee Safety and Health

1. Systematize and standardize the management of environmental protection in all plants.
 - (1) Implement the ISO 14001 Environmental Management System and conduct 6 courses related to environmental management with a total of 178 participants; in addition, 62 people of the Company have obtained ISO 14001 Internal Auditor Certificate so that the quality of management personnel can be improved.
 - (2) Environmental protection training is included in compulsory courses for new employees to improve employees' environmental awareness.
2. Promote waste reduction and reuse of resources
 - (1) Instead of incineration, the Company promotes waste plastic recycling and turns waste labels into refuse derived fuel (RDF) to improve the recycling rate of plastic waste in all plants.
 - (2) Install waste residue dehydrator which can reduce the water content of waste so the recycling rate of organic fertilizers will be increased.
3. Conduct drain improvement, prevent sewage pollution
 - (1) Inspect sewage disposal in plants, improve rain and sewer pipe to manage sewage comprehensively and prevent polluted surface water.
 - (2) In order to monitor sewage disposal in plants, the Company has installed the equipment of flow meter, monitors, and UPS equipment to automatically control sewage disposal and tap water consumption every month.
 - (3) Finish permit document of Water Pollution Control Measures and conduct declaration of regular monitoring, and so on.

- (4) Build up a plan for installing spill containment pallet in the temporary storage area for outdoor solvents and waste ink, so as to prevent leakage from directly polluting the drain or the ground.
4. Conduct regulations identification, self-examinations of non-conforming items
 - (1) To prevent violating the law from changes in legislations, the Company monitors activities in plants regularly and how much they are in conformity with various environmental regulations, keep ourselves updated of new regulations every month.
 - (2) Set up inspection system of pollution in plants and irregularly check waste management every week, conduct inspection and examination of the air pollution, waste disposal and waste storage in plants every month.
5. Actively decrease Occupational Safety and Health accident prevention, emergency response and fire safety control
 - (1) Establish safety and health patrol; periodic plant safety and health patrol and inspection implemented by the supervising staff and professional safety and health personnel.
 - (2) Develop safety and health handbooks and distribute to every employee, so it can provide them the reference to apply and to truly follow the related precautions; hopefully all kinds of possible accidents and injuries can be prevented and the occurrence of accidents can be reduced.
 - (3) Set automatic inspection plans and implement the automatic inspection on all safety and health machinery and equipment.
 - (4) The Company set up the annual training program for occupational safety and health education, and implements according to the occupational safety and health education training program. For the general safety education training, the entire staff, the new hires and before change of jobs, they would receive the safety and health education training required for each job, and the training time, according to job attributes, would be 3-6 hours, and the total hours of safety and health education and training are 4,637 hours in 2020, so the employees will have the awareness for safety and health operation procedures in order to reduce the occurrence of occupational hazards.
 - (5) The Company implements, according to the "fire protection program" formulated by the Company, the actions required for fire management, in order to achieve the goals of the prevention of fire, earthquake and other disasters, protection of life and safety and the reduction of accidents.
 - (6) As for the fire safety training for employees, the Company conducts two fire drills every year, four hours each time, to reinforce the employees' fire safety knowledge and their capability to respond to accident prevention.
 - (7) Enhance the fire prevention and explosion protection measures of the high-risk ink printing process. To deal with the fire accidents caused by static electricity in printing, the Company has, based on the concept of active protection, not only obtained the safety protection equipment, but also installed explosion-proof switches, the system of equipment grounding, static eliminator, temperature and humidity controller for round-the-clock monitoring temperature and humidity in the air, so as to prevent the generation of static and achieve fire safety.
 - (8) Implement the source control and safe storage of hazardous chemicals, handle risk assessment, and hazard identification, Moreover, the production department regularly updates the chemical inventory and evaluates the safety

- planning of the storage area. Several risk reduction and prevention measures are also taken, such as the centralized chemical storage with better ventilation, installation of fire-fighting equipment, and the fire compartment.
- (9) Conduct the toxic chemical substance disaster drill, confined space drill, natural gas leakage drill, and evacuation drill in accordance with emergency response plan. By enhancing working personnel's ability, they can use their professional skills when an emergency occurs to prevent further expansion of disaster and gather everyone to carry out disaster rescue works for the goal of employee safety.
 - (10) Employees of the production department and subcontractors should apply for a hot work permit before commencement. In the designated hot work areas, flammable materials or relative operations are not allowed, and fire extinguishing equipment should be placed aside. Also, dedicated personnel are set up to monitor fire safety and ensure that every ignition source is eliminated.
6. Raise employees' awareness of work environment or task hazards and increase their occupational safety knowledge of disasters prevention
- (1) Internal occupational safety and health training: to provide the occupational safety and health training to all employees, including expatriate employees, the Company sent personnel to overseas factories for holding annual on-the-job training, which includes occupational accidents promotion based on the annual labor inspection directives announced by the labor inspection agency.
 - (2) External occupational safety and health certificate and training: in accordance with relevant regulations, employees are sent to participate in training of occupational safety certificates, and dedicated personnel are set up; certificates include first aid personnel, organic solvent operation supervisor, forklift operation personnel, fixed type crane operation personnel, fire prevention management personnel, category I pressure vessels operators, and boilers operators.

Certificate	Person-time
Occupational safety and health management personnel(Including Class A, C affair managers)	19
Nursing personnel of labor health services	4
Harmful operations supervisors	77
Dangerous machinery operation personnel	46
Specified operation personnel	375
Fire prevention management personnel	6
First aid personnel	77
Construction frame assembly operation supervisor	1
Metal sealing personnel	3
Total	608

7. Apply the improvement of working environment, and regularly check and ensure the working environment safety and health promotion.
- (1) Establish the Occupational Safety and Health Committee to regularly check all the environmental conditions and measures to ensure workplace safety and health for employees.
 - (2) Implement 6S activities to encourage employees to develop good work habits so that safe work environments are easily created.

- (3) Job site monitoring is carried out every six months to avoid workers' exposure to various hazard factors, and the results will be publicly announced according to regulations. Relevant improvements will be taken to address the deficiencies, so a safe working environment can be ensured for all employees.
 - (4) The standard of employee health examination is higher than the regulatory requirements. Not only does the Company conduct physical examinations every year, but the Company also provides special physical examinations annually, according to laws and regulations, and continuously follow up the abnormal conditions in employees to ensure good health management.
 - (5) According to the scale of each plant, the Company has set up full-time nursing personnel of labor health services and contracted occupational medicine doctor to perform on-site service three times a month. The medical personnel and the occupational safety and health personnel conduct on-site visits and determine the annual main tasks of labor health services. Because employee's health matters to us, the Company, in addition to complying with requirements of regulations, provides monthly doctor's on-site service of labor health services, so as to take care of our employees and create a healthy workplace.
 - (6) Due to the pandemic of COVID-19, the Company has established the Communicable Disease Management Team to hold regular meetings to review and track the implementation of all prevention measures. In addition to promoting health issues, the Company requires that all employees should fill out online survey of the state of health and activity history every week, so that the Company can keep an eye on employees' health state and reduce the risk of infection.
8. Specific achievements including promoting self-protection system, responsible care system, contractor management, etc.
- (1) Self-Protection System:
According to the existing condition of the plant, incorporate all the tasks into the safety and health code of practice, and revise periodically. And request all employees to understand the provisions of the code of practice, and conduct the related tasks according to the provisions.
 - (2) Responsible Care System:
In order to avoid unnecessary injuries, after joining the Company, all employees would receive a series of education training and personal coaching before they can officially start working on the production line; there are also personnel in charge of all production lines, and they are responsible for the safety of all the personnel, products and machinery, etc. on the production line, and they report to the unit supervisor at any time.
 - (3) Contractor Management:
To prevent the contractor's construction resulting in accident or fire and threatening company employee lives and property loss, our company sets "P-009 Contractor Management Measures", so the contracting department would be responsible to set the responsibilities and obligations of the contracting safety responsibility management, in the related contracts, with the construction contracting firms, and holds annual pre-operation safety and health education training and the joint operation protocol organization formulation meeting, to prevent the contractors from having any accidents during operation.

9. Apply the Establishment and Execution of Occupational Safety and Health

Management System.

- (1) Continuously promote the establishment of (TOSHMS)CNS45001 and ISO45001 Occupational Safety and Health Management System, and the conversion to ISO45001 was completed in 2019 and 2020, so the Company's employees would comply with the management items of the occupational safety and health management system in the working environment, and adopt P, D, C, A management cycles to enhance the level of work safety and reduce the occurrence rate of occupational accidents.
- (2) In order to link up with the world, the Company implements self-management of safety and health and encourages employees to participate in occupational safety and health matters, so that everyone can work in a safe and healthy work environment. Moreover, we actively participate in the "occupational safety and health management system performance evaluation" held by the Occupational Safety and Health Administration, Ministry of Labor.
- (3) According to Occupational Safety and Health Act, the Company has established the Labor Safety and Health Department on March 6, 2012, and revised the name of department to Occupational Safety and Health Center in March 4, 2020.

5.5 Labor Relations

5.5.1 The employee welfare measure, continuing education, training, retirement system and the implementation status, the agreement between employee and employer, and the status of the employee's right and interest maintenance measure

- (1) Employee's benefit policies:
 1. Offer health insurance and labor insurance to all employees, and group insurance to specific personnel in accordance with regulations.
 2. To maintain employees' good health, THC provides free Health Examination every year.
 3. The Company provides a safe work environment, arranges fire compartment in office area and sets adequate fire extinguisher in accordance with Fire Act. Also, the company organizes the Self-defense fire team and carries out training of fire prevention on a casual basis to reinforce employees' abilities to respond to emergency.
 4. Set up Coffee bookstore, in which offering books, newspapers and magazines for employees to read and borrow.
 5. Offer a Nursery room.
 6. Provide dormitory for non-local employees to lower their financial burden and reduce risk in commuting.
 7. Offer parking lots and buffet-style meals in canteen for employees.
- (2) Benefit policies and implementation status which Employees' Welfare Committee organizes:
 1. Offer Birthday Bonus, Marriage Subsidy, Childbirth Subsidy, Death Subsidy and Holiday bonus for three Chinese festivals.
 2. Organize incentive tours for excellent employees, year-end banquet and raffle.
 3. Other various employees' subsidies and activities.

(3) Pension system:

To protect workers' livelihood after retirement, the Company contributes labor pension to Bank of Taiwan Trusts Dept. on a monthly basis in accordance with Labor Standards Act and Labor Pension Act. Also, for the person chooses to be applicable to the pension system of this Labor Pension Act after July 1, 2005, THC will on a monthly basis contribute 6% of the worker's monthly wage to individual accounts of labor pension at the Bureau of Labor Insurance according to Table of Monthly Contribution Wages of Labor Pension.

(4) Education and continuous training:

Since the Company was founded in 1969, we have treated our employees with honesty and have regarded our employees as assets and partners to grow together, through the welfare measures, to enrich and stabilize the employees' lives, and good education training, to establish good relationships of mutual trust and interdependence with the employees.

To nurture the Company for sustainable business development, human resources department established "Hon Chuan Academy" in order to actively cultivate the talents needed for the future, and the employee education training measures, normative education training system and training norms were also established as the basis to conduct training and to reserve professional management talents.

In 2020, education training of the Company includes topic such as food safety, quality management, occupational safety and health, ethical management, internal control and regulation compliance. The total training courses are 27,112 hours.

Improve the education training system, enhance employees' professional skills and personal growth; good working environment would enable employees to work with peace of mind.

5.5.2 List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

On November 18, 2019, the Export Processing Zone Administration came to the Company for labor inspection, finding that the Company had violated Article 24, paragraph 1, and Article 39 of the Labor Standards Act in the calculation of wage payment during the attendance time of a single case, for which it imposed a total NT\$40,000 fine on the Company (No. 1080102085). The payment has been made

by the deadline.

Countermeasures: Due to the absence of the above case, the Company completed the improvement on February 1, 2020, in compliance with the Labor Standards Law.

5.6 Major Contracts

March 31, 2021

Agreement	Counterparty	Period	Major Content	Restriction
Long-term Loan Contract	Syndicated Loan of Land bank and others	2017.12.29 ~2022.12.29	To repay loan, support investment plans and strengthen operating capital	Restriction of Financial Ratio
Long-term Loan Contract	Mizuho Bank	2020.10.29 ~2023.10.13	To repay loan and overseas investment funds	None
Long-term Loan Contract	The Export-Import Bank of the Republic of China	2020.01.03 ~2025.01.03	Overseas investment funds	None
Long-term Loan Contract	E.SUN Bank	2019.07.15 ~2026.07.15	To support investment plans and strengthen operating capital	None
Long-term Loan Contract	Hua Nan Bank	2019.10.31 ~2024.10.31	To support investment plans and strengthen operating capital	None
Long-term Loan Contract	Taipei Fubon Bank	2019.10.31 ~2024.10.31	To support investment plans and strengthen operating capital	None

6. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet and Comprehensive Income Statement

6.1.1.1 Condensed Consolidated Balance Sheet – IFRS

Unit: NTD\$ Thousand

Year Item		Financial Data Within The Last 5 Years (Note 1)					As of March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020	
Current Assets		7,757,428	8,866,914	10,441,913	11,097,170	10,608,001	11,322,704
Property, Plant and Equipment		17,991,011	17,501,552	16,793,643	16,146,473	16,654,786	16,558,832
Intangible Assets		388,673	356,763	370,713	370,046	350,327	350,304
Other Assets		1,254,194	1,559,298	1,809,665	3,910,352	4,079,396	3,800,789
Total Assets		27,391,306	28,284,527	29,415,934	31,524,041	31,692,510	32,032,629
Current Liabilities	Before Distribution	9,649,899	7,030,797	7,229,766	8,325,948	6,981,922	8,016,626
	After Distribution	10,382,096	7,762,994	7,903,387	9,204,585	8,017,951	Note 2
Non-current Liabilities		5,065,234	8,090,967	9,107,003	9,469,956	10,826,683	11,019,373
Total Liabilities	Before Distribution	14,715,133	15,121,764	16,336,769	17,795,904	17,808,605	19,035,999
	After Distribution	15,447,330	15,853,961	17,010,390	18,674,541	18,844,634	Note 2
Shareholders' Equity (Before Distribution)		11,755,680	12,480,831	12,446,743	12,941,728	13,076,011	12,204,795
Capital Stock		2,928,789	2,928,789	2,928,789	2,928,789	2,877,859	2,877,859
Additional Paid-in Capital		5,127,397	5,507,513	5,485,872	5,485,872	5,395,572	5,395,572
Retained Earnings	Before Distribution	4,920,100	5,412,733	5,777,383	6,482,105	7,113,755	6,557,826
	After Distribution	4,187,903	4,680,536	5,103,762	5,603,468	6,077,726	Note 2
Other Equity		(1,220,606)	(1,368,204)	(1,745,301)	(1,955,038)	(2,311,175)	(2,626,462)
Treasury Stock		—	—	—	—	—	—
Non-controlling Equity		920,493	681,932	632,422	786,409	807,894	791,835
Total Equity	Before Distribution	12,676,173	13,162,763	13,079,165	13,728,137	13,883,905	12,996,630
	After Distribution	11,943,976	12,430,566	12,405,544	12,849,500	12,847,876	Note 2

Note 1: The Company has adopted IFRS since 2012. For above data, except the consolidated financial data for the period as of the quarter preceding the date of publication of the annual report was reviewed by CPA, others were all audited by CPA.

Note 2: Proposal for Distribution of 2020 Profits has not yet to be resolved in the shareholders' meeting.

6.1.1.2 Condensed Consolidated Comprehensive Income Statement – IFRS

Unit: NTD\$ Thousand

Item \ Year	Financial Data Within The Last 5 Years					As of March 31, 2021 (Note 1)
	2016	2017	2018	2019	2020	
Operating Income	16,510,678	17,519,458	19,929,717	21,527,348	19,348,249	5,123,903
Gross Profit	3,402,415	3,320,581	3,522,881	4,282,310	4,105,701	1,166,870
Operating Profit or Loss	1,671,197	1,510,380	1,576,410	2,255,948	2,189,846	686,014
Non-Operating Income and Expense	(173,374)	36,614	(94,457)	(257,099)	(34,533)	(32,563)
Net Income Before Tax	1,497,823	1,546,994	1,481,953	1,998,849	2,155,313	653,451
Net Income from Continuing Operations	1,190,294	1,261,983	1,102,204	1,466,602	1,730,740	499,976
Income (or Loss) from Discontinued Operations	—	—	—	—	—	—
Net Income (Loss)	1,190,294	1,261,983	1,102,204	1,466,602	1,730,740	499,976
Other Comprehensive Income (Loss) (After-tax)	(969,372)	(89,321)	(408,017)	(223,071)	(364,883)	(341,225)
Total Comprehensive Income (Loss)	220,922	1,172,662	694,187	1,243,531	1,365,857	158,751
Net Income Attributable to the Parent	1,178,224	1,230,861	1,092,531	1,381,036	1,655,412	480,100
Net Income Attributable to Non-Controlling Interests	12,070	31,122	9,673	85,566	75,328	19,876
Total Comprehensive Income Attributable to the Parent	395,933	1,077,232	722,687	1,168,606	1,294,963	164,813
Total Comprehensive Income Attributable to Non-Controlling Interests	(175,011)	95,430	(28,500)	74,925	70,894	(6,062)
Earnings Per Share (NTD\$)	4.02	4.20	3.73	4.72	5.72	1.67

Note 1: The Company has adopted IFRS since 2012. For above data, except the consolidated financial data for the period as of the quarter preceding the date of publication of the annual report was reviewed by CPA, others were all audited by CPA.

6.1.2 Condensed Non-Consolidated Balance Sheet and Income Statement

6.1.2.1 Condensed Non-Consolidated Balance Sheet – IFRS

Unit: NTD\$ Thousand

Year Item		Financial Data Within The Last 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		2,383,278	2,514,309	2,807,277	2,573,858	2,470,056
Property, Plant and Equipment		4,609,382	4,924,787	5,092,779	4,822,395	5,605,344
Intangible Assets		1,992	1,340	533	1,618	1,181
Other Assets		10,415,111	12,401,509	14,001,765	18,283,433	20,585,528
Total Assets		17,409,763	19,841,945	21,902,354	25,681,304	28,662,109
Current Liabilities	Before Distribution	3,193,278	2,411,190	2,628,740	5,560,761	5,741,203
	After Distribution	3,925,475	3,143,387	3,302,361	6,439,398	6,777,232
Non-current Liabilities		2,460,805	4,949,924	6,826,871	7,178,815	9,844,895
Total Liabilities	Before Distribution	5,654,083	7,361,114	9,455,611	12,739,576	15,586,098
	After Distribution	6,386,280	8,093,311	10,129,232	13,618,213	16,622,127
Shareholders' Equity(Before Distribution)		11,755,680	12,480,831	12,446,743	12,941,728	13,076,011
Capital Stock		2,928,789	2,928,789	2,928,789	2,928,789	2,877,859
Additional Paid-in Capital		5,127,397	5,507,513	5,485,872	5,485,872	5,395,572
Retained Earnings	Before Distribution	4,920,100	5,412,733	5,777,383	6,482,105	7,113,755
	After Distribution	4,187,903	4,680,536	5,103,762	5,603,468	6,077,726
Other Equity		(1,220,606)	(1,368,204)	(1,745,301)	(1,955,038)	(2,311,175)
Treasury Stock		—	—	—	—	—
Non-controlling Equity		—	—	—	—	—
Total Equity	Before Distribution	11,755,680	12,480,831	12,446,743	12,941,728	13,076,011
	After Distribution	11,023,483	11,748,634	11,773,122	12,063,091	12,039,982

Note 1: The Company has adopted IFRS since 2012. All the Annual Financial Statements above have audited by CPA.

Note 2: Proposal for Distribution of 2020 Profits has not yet to be resolved in the shareholders' meeting.

6.1.2.2 Condensed Non-Consolidated Comprehensive Income Statement – IFRS

Unit: NTD\$ Thousand

Item \ Year	Financial Data Within The Last 5 Years				
	2016	2017	2018	2019	2020
Operating Income	7,133,662	7,456,868	8,474,763	8,628,937	7,911,048
Gross Profit	1,782,171	1,887,073	1,882,926	1,963,618	1,971,518
Operating Profit or Loss	952,558	986,457	975,546	1,004,065	989,455
Non-Operating Income and Expense	378,001	382,603	328,581	583,710	819,159
Net Income Before Tax	1,330,559	1,369,060	1,304,127	1,587,775	1,808,614
Net Income from Continuing Operations	1,178,224	1,230,861	1,092,531	1,381,036	1,655,412
Income (or Loss) from Discontinued Operations	—	—	—	—	—
Net Income (Loss)	1,178,224	1,230,861	1,092,531	1,381,036	1,655,412
Other Comprehensive Income (Loss) (After-tax)	(782,291)	(153,629)	(369,844)	(212,430)	(360,449)
Total Comprehensive Income (Loss)	395,933	1,077,232	722,687	1,168,606	1,294,963
Net Income Attributable to the Parent	1,178,224	1,230,861	1,092,531	1,381,036	1,655,412
Net Income Attributable to Non-Controlling Interests	—	—	—	—	—
Total Comprehensive Income Attributable to the Parent	395,933	1,077,232	722,687	1,168,606	1,294,963
Total Comprehensive Income Attributable to Non-Controlling Interests	—	—	—	—	—
Earnings Per Share (NTD\$)	4.02	4.20	3.73	4.72	5.72

Note 1: The Company has adopted IFRS since 2012. All the Annual Financial Statements above have audited by CPA.

6.1.3 The name and opinion of the independent auditor within the last 5 year

Year	Name of CPAs	Auditor's opinions
2016	Deloitte & Touche Yen, Hsiao-Fang, Tseng, Done-Yuin	Unqualified Opinion and other matters
2017	Deloitte & Touche Tseng, Done-Yuin, Wu, Li-Dong (Note 1)	Unqualified Opinion and other matters
2018	Deloitte & Touche Tseng, Done-Yuin, Wu, Li-Dong	Unqualified Opinion and other matters
2019	Deloitte & Touche Tseng, Done-Yuin, Yen, Hsiao-Fang (Note 2)	Unqualified Opinion and other matters
2019	Deloitte & Touche Tseng, Done-Yuin, Yen, Hsiao-Fang	Unqualified Opinion and other matters

Note 1: Change of certified public accountant (CPA) from Yen, Hsiao-Fang and Tseng, Done-Yuin to Tseng, Done-Yuin and Wu, Li-Dong were due to internal adjustments within Deloitte & Touche, the certifying accounting firm.

Note 2: Change of certified public accountant (CPA) from Tseng, Done-Yuin and Wu, Li-Dong to Tseng, Done-Yuin and Yen, Hsiao-Fang were due to internal adjustments within Deloitte & Touche, the certifying accounting firm.

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – IFRS

Analysis Item \ Year		Financial Data Within The Last 5 Years (Note 1)					As of March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020	
Finance Structure	Debt to Asset Ratio (%)	53.72	53.46	55.54	56.45	56.19	59.43
	Long-term Capital to Property, Plant and Equipment Ratio (%)	98.13	120.92	131.32	140.31	144.51	141.18
Solvency	Current Ratio (%)	80.39	126.12	144.43	133.28	151.94	141.24
	Quick Ratio (%)	52.97	78.22	90.11	89.24	103.2	97.66
	Interest Coverage	7.46	7.86	6.96	8.64	13.85	20.64
Operating Ability	Accounts Receivable Turnover (Times)	6.55	6.62	6.48	6.4	5.98	5.86
	Average Collection Days	56	55	56	57	61	62
	Inventory Turnover (Times)	7.5	6.95	6.76	6.89	6.37	6.76
	Accounts Payable Turnover (Times)	17.69	16.35	16.56	16.55	16.53	17.04
	Average Inventory Turnover Days	49	53	54	53	57	54
	Fixed Asset, Machinery and Facility Turnover (Times)	0.92	1	1.19	1.33	1.16	1.24
	Total Asset Turnover (Times)	0.6	0.62	0.68	0.68	0.61	0.64
Profitability	Return on Asset (%)	5.03	5.34	4.68	5.67	6.01	1.67
	Return on Equity (%)	9.27	9.77	8.4	10.94	12.54	3.72
	Pre-tax Profit to Paid-in Capital Ratio (%)	51.14	52.82	50.6	68.25	74.89	22.71
	Net Margin (%)	7.21	7.2	5.53	6.81	8.95	9.76
	Earnings Per Share (NTD\$)	4.02	4.2	3.73	4.72	5.72	1.67
Cash Flow	Cash Flow Ratio (%)	44.79	31.73	40.55	49.93	60.48	5.14
	Cash Flow Adequacy Ratio (%)	76.64	73.11	89.22	105.23	104.04	94.23
	Cash Flow Re-investment Ratio (%)	11.45	3.91	5.57	8.18	7.27	0.92
Leverage	Operating Leverage	2.29	2.42	2.40	2.02	2.05	1.86
	Financial Leverage	1.16	1.18	1.19	1.13	1.08	1.05

Please explain the variation reasons of all financial ratios (which exceeding 20%) in the most recent 2 years:

1. The increase in Interest Coverage: Mainly due to the rise of the group's profits in 2020, lower borrowing rates, and the decrease in interest expenses.
2. The increase in Net Margin: Compared to 2019, the interest expenses and other losses in 2020 decrease, causing an increase in consolidated net profit after tax.
3. The increase in Earnings Per Share: Due to the increase in consolidated net profit after tax, and the Company repurchased 5,093 thousand treasury shares in 2020 and reduced capital.
4. The increase in Cash Flow Ratio: Due to the fall in current portion of long-term loans payable, which decreases current liabilities and thus increases the cash flow ratio.

Note 1: The Company has adopted IFRS since 2012. For above data, except the consolidated financial data for the period as of the quarter preceding the date of publication of the annual report was reviewed by CPA, others were all audited by CPA.

6.2.2 Non-consolidated Financial Analysis – IFRS

Analysis Item		Year	Financial Data Within The Last 5 Years (Note 1)				
			2016	2017	2018	2019	2020
Finance Structure	Debt to Asset Ratio (%)		32.48	37.10	43.17	49.61	54.38
	Long-term Capital to Fixed Asset Ratio (%)		307.11	352.72	377.34	410.06	401.10
Solvency	Current Ratio (%)		74.63	104.28	106.79	46.29	43.02
	Quick Ratio (%)		45.93	55.63	58.00	26.03	23.84
	Interest Coverage		25.35	26.94	20.43	17.69	15.50
Operating Ability	Accounts Receivable Turnover (Times)		7.63	7.67	7.75	7.22	7.22
	Average Collection Days		48	48	47	51	51
	Inventory Turnover (Times)		7.87	7.10	7.47	7.97	7.33
	Accounts Payable Turnover (Times)		9.93	9.25	10.05	9.64	7.77
	Average Inventory Turnover Days		46	51	49	46	50
	Property, Plant and Equipment Turnover (Times)		1.55	1.51	1.66	1.79	1.41
	Total Asset Turnover (Times)		0.41	0.38	0.39	0.34	0.28
Profitability	Return on Asset (%)		6.99	6.84	5.49	6.12	6.46
	Return on Equity (%)		9.94	10.16	8.77	10.88	12.73
	Pre-tax Profit to Paid-in Capital Ratio (%)		45.43	46.74	44.53	54.21	62.85
	Net Margin (%)		16.52	16.51	12.89	16.00	20.93
	Earnings Per Share (NTD\$)		4.02	4.20	3.73	4.72	5.72
Cash Flow	Cash Flow Ratio (%)		46.01	45.08	44.63	23.53	29.29
	Cash Flow Adequacy Ratio (%)		51.90	49.60	54.30	44.88	41.31
	Cash Flow Re-investment Ratio (%)		4.60	1.55	1.75	2.38	2.68
Leverage	Operating Leverage		3.82	3.85	4.63	4.60	4.12
	Financial Leverage		1.06	1.06	1.07	1.10	1.14

Please explain the variation reasons of all financial ratios (which exceeding 20%) in the most recent 2 years:

1. The decrease of Property, Plant and Equipment Turnover: The decrease is mainly due to the official operation of the 3rd Aseptic-filling Plant from August 2020, so the real estate, plant and equipment increase.
2. The increase of Net Margin: Mainly due to the rise of 2020 investment income recognized under equity method, which increases the income before tax, and thus the net margin increases.
3. The increase of Earnings Per Share: Mainly due to the rise of 2020 investment income recognized under equity method, which increases the net income, and the Company repurchased 5,093 thousand treasury shares in 2020 and reduced capital, causing the earnings per share to increase.
4. The increase of Cash Flow Ratio: Mainly because the other losses in 2020 were lower than those in 2019, resulting in an increase in net profit before tax and net cash flows from operating activities, so the cash flow ratio increased.

Note 1: All the Annual Financial Statements above have audited by CPA.

The calculation formula of financial analysis:

1. Capital Structure Analysis

- (1) Debt to Asset Ratio = Total Liabilities / Total Assets
- (2) Long-term Capital to Property, Plant and Equipment Ratio = (Total Equity – Non-current Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

- (1) Average Collection Turnover = Net Sales / Average Trade Receivables
- (2) Average Collection Turnover Days = 365 / Receivables Turnover Rate
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Inventory Turnover Days = 365 / Inventory Turnover Rate
- (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

- (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity = Net Income / Average Total Equity
- (3) Net Margin = Net Income / Net Sales
- (4) Earning per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Flow Re-investment Ratio = (Cash Provided by Operating Activities - Cash Dividend) / (Gross Property, Plant and Equipment + Long-term Investment + Other Non-current Asset + Working Capital)

6. Leverage

- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
- (2) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

6.3 Audit Committees' Review Report in the most recent year

Taiwan Hon Chuan Enterprise Co., Ltd.

Audit Committees' Review Report

We hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2020 Business Report, Financial Statements, and the Profit Allocation Proposal. Of these items, the Individual and Consolidated Financial Statements have been audited by external auditors Tseng, Done-Yuin and Yen, Hsiao-Fang of Deloitte & Touche, Taiwan, and an unqualified opinion and report have been issued on the Financial Statements. The aforementioned items have been reviewed and determined to be correct and accurate by Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To

2021 Annual Shareholders' Meeting of Taiwan Hon Chuan Enterprise Co., Ltd.

Taiwan Hon Chuan Enterprise Co., Ltd.

Audit Committee Chairman: Hung, Chao-Nan

Commissioner: Huang, Hsiang-Ying

Commissioner: Kung, Yi-Lu

March 23, 2021

6.4 Financial statement for the most recent fiscal year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Hon Chuan Enterprise Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2020 is described as follows :

Revenue recognition

The Group manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM services. Because revenue from the aforementioned main products is significant to both the Group's revenue and profit, we identified revenue recognition as a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

The key audit procedures that we performed in respect of revenue recognition included the following:

1. We understood the internal controls over revenue recognition, evaluated the design of and tested the operating effectiveness of the key controls. We also sampled and inspected the original purchase orders and delivery orders to verify the reasonableness of the accrual of the sales revenue.
2. We verified the entries to the revenue subsidiary ledger by selecting sample entries from the main products and checked the entries against the original orders, delivery orders, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and order.

Other Matter

We did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia Sdn. Bhd, Hon Chuan (Thailand) Co., Ltd. and Hon Chuan FD Packaging Co., Ltd., which are investees of the Group and are included in the consolidated financial statements as of and for the year ended December 31, 2020 and 2019, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the Group's consolidated financial statements for these investees, is based solely on the reports of the other auditors. The total assets of the aforementioned investees were NTD4,669,532 thousand and NTD4,563,570 thousand, representing 14.73% and 14.48%, respectively, of the Group's consolidated assets as of December 31, 2020 and 2019. The total sales of the aforementioned investees were NTD2,814,370 thousand and NTD3,023,012 thousand, representing 14.55% and 14.04%, respectively, of the Group's consolidated net sales for the years ended December 31, 2020 and 2019.

We have also audited the parent company only financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified report with other matter paragraph.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Hsiao-Feng Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 23, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,047,124	13	\$ 3,938,285	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	47,422	-	71,675	-
Notes receivable from unrelated parties (Note 4)	157,649	-	142,808	-
Trade receivables from unrelated parties (Notes 4 and 9)	2,877,346	9	3,172,594	10
Trade receivables from related parties (Notes 4 and 27)	1,507	-	3,074	-
Inventories (Notes 4, 10 and 29)	2,297,006	7	2,484,629	8
Other current assets (Notes 15, 27 and 28)	<u>1,179,947</u>	<u>4</u>	<u>1,284,105</u>	<u>4</u>
Total current assets	<u>10,608,001</u>	<u>33</u>	<u>11,097,170</u>	<u>35</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	36,736	-	40,498	-
Long-term investments accounted for using the equity method (Notes 4 and 12)	15,543	-	16,393	-
Property, plant and equipment (Notes 4, 13, 28 and 29)	16,654,786	53	16,146,473	51
Right-of-use assets (Notes 4 and 14)	1,199,985	4	1,115,903	4
Intangible assets (Note 4)	350,327	1	370,046	1
Deferred tax assets (Notes 4 and 22)	216,108	1	184,545	1
Prepayments for equipment	2,540,512	8	2,495,444	8
Other non-current assets (Note 15)	<u>70,512</u>	<u>-</u>	<u>57,569</u>	<u>-</u>
Total non-current assets	<u>21,084,509</u>	<u>67</u>	<u>20,426,871</u>	<u>65</u>
TOTAL	<u>\$ 31,692,510</u>	<u>100</u>	<u>\$ 31,524,041</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 1,594,452	5	\$ 3,553,001	11
Short-term bills payable (Note 16)	3,100,000	10	1,375,000	4
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	3,563	-	142	-
Notes payable to unrelated parties	1,191	-	4,842	-
Trade payables to unrelated parties	825,659	3	1,012,125	3
Current tax liabilities (Notes 4 and 22)	212,626	1	161,723	1
Lease liabilities - current (Notes 4 and 14)	45,875	-	52,571	-
Deferred revenue - current (Notes 4 and 24)	11,055	-	5,490	-
Current portion of long-term liabilities (Notes 4, 16 and 24)	46,980	-	1,000,000	3
Other current liabilities (Notes 18 and 27)	<u>1,140,521</u>	<u>3</u>	<u>1,161,054</u>	<u>4</u>
Total current liabilities	<u>6,981,922</u>	<u>22</u>	<u>8,325,948</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 17)	2,997,404	9	2,996,308	10
Long-term borrowings (Notes 4, 16, 24 and 28)	7,187,039	23	5,931,187	19
Deferred tax liabilities (Notes 4 and 22)	77,344	-	69,066	-
Lease liabilities - non-current (Notes 4 and 14)	464,855	2	391,845	1
Deferred revenue - non-current (Notes 4 and 24)	53,882	-	35,470	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	13,996	-	21,140	-
Guarantee deposits received	<u>32,163</u>	<u>-</u>	<u>24,940</u>	<u>-</u>
Total non-current liabilities	<u>10,826,683</u>	<u>34</u>	<u>9,469,956</u>	<u>30</u>
Total liabilities	<u>17,808,605</u>	<u>56</u>	<u>17,795,904</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,877,859	9	2,928,789	9
Capital surplus	5,395,572	17	5,485,872	17
Retained earnings				
Legal reserve	1,670,003	5	1,531,899	5
Special reserve	1,955,038	6	1,745,301	6
Unappropriated earnings	3,488,714	11	3,204,905	10
Other equity	<u>(2,311,175)</u>	<u>(7)</u>	<u>(1,955,038)</u>	<u>(6)</u>
Total equity attributable to owners of the Corporation	13,076,011	41	12,941,728	41
NON-CONTROLLING INTERESTS	<u>807,894</u>	<u>3</u>	<u>786,409</u>	<u>3</u>
Total equity	<u>13,883,905</u>	<u>44</u>	<u>13,728,137</u>	<u>44</u>
TOTAL	<u>\$ 31,692,510</u>	<u>100</u>	<u>\$ 31,524,041</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2021)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4 and 27)	\$ 19,348,249	100	\$ 21,527,348	100
COST OF GOODS SOLD (Notes 4, 10, 21 and 27)	<u>15,242,548</u>	<u>79</u>	<u>17,245,038</u>	<u>80</u>
GROSS PROFIT	<u>4,105,701</u>	<u>21</u>	<u>4,282,310</u>	<u>20</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	908,369	5	967,551	5
General and administrative expenses	915,425	5	972,754	5
Research and development expenses	<u>92,061</u>	<u>-</u>	<u>86,057</u>	<u>-</u>
Total operating expenses	<u>1,915,855</u>	<u>10</u>	<u>2,026,362</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>2,189,846</u>	<u>11</u>	<u>2,255,948</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 21)	(167,767)	(1)	(261,702)	(1)
Interest income	51,541	-	58,039	-
Other gains and losses (Notes 4, 12, 21 and 31)	83,278	1	(54,713)	-
Net foreign exchange gain (loss) (Note 4)	<u>(1,585)</u>	<u>-</u>	<u>1,277</u>	<u>-</u>
Total non-operating income and expenses	<u>(34,533)</u>	<u>-</u>	<u>(257,099)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	2,155,313	11	1,998,849	9
INCOME TAX EXPENSE (Notes 4 and 22)	<u>424,573</u>	<u>2</u>	<u>532,247</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,730,740</u>	<u>9</u>	<u>1,466,602</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(5,390)	-	(3,037)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	511	-	2,842	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 22)	1,078	-	607	-

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (361,082)	(2)	\$ (223,483)	(1)
Other comprehensive loss for the year, net of income tax	(364,883)	(2)	(223,071)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,365,857	7	\$ 1,243,531	6
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,655,412	9	\$ 1,381,036	7
Non-controlling interests	75,328	-	85,566	-
	\$ 1,730,740	9	\$ 1,466,602	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,294,963	7	\$ 1,168,606	6
Non-controlling interests	70,894	-	74,925	-
	\$ 1,365,857	7	\$ 1,243,531	6
EARNINGS PER SHARE (Note 23)				
Basic	\$ 5.72		\$ 4.72	
Diluted	\$ 5.70		\$ 4.71	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2021)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation										
	Share Capital (Note 20)	Capital Surplus (Notes 4 and 20)	Retained Earnings (Notes 4, 19 and 20)			Other Equity (Note 4)		Treasury Shares (Note 20)	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2019	\$ 2,928,789	\$ 5,485,872	\$ 1,422,646	\$ 1,368,204	\$ 2,986,533	\$ (1,730,324)	\$ (14,977)	\$ -	\$ 12,446,743	\$ 632,422	\$ 13,079,165
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	113,153	113,153
Appropriation of 2018 earnings											
Legal reserve	-	-	109,253	-	(109,253)	-	-	-	-	-	-
Special reserve	-	-	-	377,097	(377,097)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(673,621)	-	-	-	(673,621)	-	(673,621)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(34,091)	(34,091)
Net profit for the year ended December 31, 2019	-	-	-	-	1,381,036	-	-	-	1,381,036	85,566	1,466,602
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,430)	(212,842)	2,842	-	(212,430)	(10,641)	(223,071)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,378,606	(212,842)	2,842	-	1,168,606	74,925	1,243,531
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(263)	-	263	-	-	-	-
BALANCE AT DECEMBER 31, 2019	2,928,789	5,485,872	1,531,899	1,745,301	3,204,905	(1,943,166)	(11,872)	-	12,941,728	786,409	13,728,137
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	9,247	9,247
Appropriation of 2019 earnings											
Legal reserve	-	-	138,104	-	(138,104)	-	-	-	-	-	-
Special reserve	-	-	-	209,737	(209,737)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(878,637)	-	-	-	(878,637)	-	(878,637)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(62,383)	(62,383)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	(4,627)	-	-	-	-	-	-	(4,627)	3,727	(900)
Donations from shareholders	-	7	-	-	-	-	-	-	7	-	7
Net profit for the year ended December 31, 2020	-	-	-	-	1,655,412	-	-	-	1,655,412	75,328	1,730,740
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	(4,312)	(356,648)	511	-	(360,449)	(4,434)	(364,883)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,651,100	(356,648)	511	-	1,294,963	70,894	1,365,857
Buy-back of treasury shares	-	-	-	-	-	-	-	(277,423)	(277,423)	-	(277,423)
Cancellation of treasury shares	(50,930)	(85,680)	-	-	(140,813)	-	-	277,423	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 2,877,859	\$ 5,395,572	\$ 1,670,003	\$ 1,955,038	\$ 3,488,714	\$ (2,299,814)	\$ (11,361)	\$ -	\$ 13,076,011	\$ 807,894	\$ 13,883,905

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2021)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,155,313	\$ 1,998,849
Adjustments for:		
Depreciation and amortization expenses	2,288,342	2,295,375
Expected credit loss recognized on trade receivables	20,372	831
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	3,785	2,926
Finance costs	167,767	261,702
Interest income	(51,541)	(58,039)
Dividend income	(627)	-
Share of loss of associates accounted for using the equity method	32	3,361
Loss (gain) on disposal of property, plant and equipment	14,555	(31,686)
Write-down of inventories	8,473	15,765
Unrealized net loss (gain) on foreign currency exchange	12,268	(202)
Loss on lease modification	45	-
Reversal of deferred revenue	(10,918)	(3,777)
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	22,314	23,549
Notes receivable	(15,346)	5,698
Trade receivables	183,567	(52,295)
Inventories	103,909	13,769
Other current assets	54,527	289,117
Notes payable	(3,549)	1,786
Trade payables	(156,306)	(55,891)
Other current liabilities	(69,154)	168,077
Net defined benefit liabilities	(12,534)	(10,485)
Deferred revenue	5,250	-
Cash generated from operations	4,720,544	4,868,430
Interest received	51,503	58,073
Interest paid	(153,483)	(263,521)
Income tax paid	(395,825)	(505,890)
Net cash generated from operating activities	<u>4,222,739</u>	<u>4,157,092</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	-	129
Return of capital from financial assets at fair value through other comprehensive income	4,000	4,000
Payments for property, plant and equipment	(905,189)	(624,958)
Proceeds from disposal of property, plant and equipment	79,169	116,044
Increase (decrease) in refundable deposits	(14,233)	2,488

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
Payments for intangible assets	\$ (2,272)	\$ (13,133)
Payments for right-of-use assets	(57,770)	(67,365)
Increase in other non-current assets	(32,484)	(13,081)
Increase in prepayments for equipment	(2,141,396)	(2,777,733)
Dividend received	<u>627</u>	<u>-</u>
Net cash used in investing activities	<u>(3,069,548)</u>	<u>(3,373,609)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(1,949,740)	(1,470,959)
Proceeds from short-term bills payable	1,725,000	1,375,000
Proceeds from long-term borrowings	3,609,457	2,789,567
Repayments of long-term borrowings	(3,228,669)	(1,749,023)
Increase in lease payable	16,606	-
Repayment of the principal portion of lease liabilities	(47,277)	(56,260)
Dividends paid to owners of the Corporation	(878,637)	(673,621)
Payments for transaction costs attributable to the buy-back of ordinary shares	(277,423)	-
Acquisition of additional interests in subsidiary	(900)	-
Dividends paid to non-controlling interests	(62,383)	(34,091)
Changes in non-controlling interests	9,247	113,153
Unclaimed dividend after expiry date	<u>7</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>(1,084,712)</u>	<u>293,766</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>40,360</u>	<u>(118,675)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	108,839	958,574
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,938,285</u>	<u>2,979,711</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,047,124</u>	<u>\$ 3,938,285</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2021)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Hon Chuan Enterprise Co., Ltd. (the “Corporation”) was incorporated in 1969. It manufactures and sells various packaging materials for the food and beverage industries (such as aluminum closures, plastic caps, metal caps, labels, polyethylene terephthalate (PET) bottles, and beverage filling original equipment manufacturer (OEM) and automatic sealer machines.

The Corporation became a public company in August 1993 under the approval of the Securities and Futures Bureau (SFB) of the Financial Supervisory Commission. The Corporation’s shares have been listed on the Taiwan Stock Exchange since March 2, 2001.

The consolidated financial statements of the Corporation and its subsidiaries (collectively referred to as “the Group”) are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 23, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the following IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss.

See Note 11, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries, associates, joint ventures or branches operating in other countries or those that use currencies that are different from the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period; and income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, the investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the

proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

k. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly

attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, notes receivable, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is a contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss._

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, any gains or losses on such financial liabilities are recognized in other gains or losses; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods and accounts receivable are recognized when the goods are delivered to the customer's designated location or when the goods are shipped, because it is the time when significant risks and rewards of ownership of the goods have been transferred to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

o. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases which are accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation

and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost), and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is

probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

Where current taxes or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand and petty cash	\$ 9,351	\$ 10,536
Checking accounts and demand deposits	3,618,337	3,847,536
Cash equivalent		
Time deposits with original maturities of 3 months or less	<u>419,436</u>	<u>80,213</u>
	<u>\$ 4,047,124</u>	<u>\$ 3,938,285</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank balance	0-5	0-13
Time deposits with original maturities of 3 months or less	0.30-3.40	2.03-4.30

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
Financial Assets at Fair Value through Profit or Loss - Current	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Domestic convertible bonds	\$ 46,321	\$ 58,998
Domestic listed shares	-	12,652
Derivative financial assets		
Foreign exchange forward contracts	<u>1,101</u>	<u>25</u>
	<u>\$ 47,422</u>	<u>\$ 71,675</u>

Financial Liabilities at Fair Value through Profit or Loss - Current

Financial liabilities mandatorily classified as at FVTPL

Derivative financial liabilities		
Foreign exchange forward contracts	<u>\$ 3,563</u>	<u>\$ 142</u>

Outstanding foreign exchange forward contracts were as follows:

	Currency	Maturity Date	Notional Amount
<u>December 31, 2020</u>			
Buy	EUR/USD	2021.06.15	EUR1,691/USD2,060
	USD/NTD	2021.01.04-2021.02.25	USD2,849/TWD82,499
	EUR/RMB	2021.08.06	EUR1,000/RMB8,420
<u>December 31, 2019</u>			
Buy	EUR/NTD	2020.02.06-2020.06.15	EUR546/NTD18,605

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of effective hedging instruments, thus hedge accounting was not used.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2020	2019
<u>Domestic investments</u>		
Unlisted shares	\$ 19,252	\$ 26,754
<u>Foreign investments</u>		
Listed shares	8,839	5,099
Unlisted shares	8,645	8,645
	<u>17,484</u>	<u>13,744</u>
	<u>\$ 36,736</u>	<u>\$ 40,498</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. TRADE RECEIVABLES - NET

	December 31	
	2020	2019
Trade receivables from unrelated parties	\$ 2,921,985	\$ 3,237,618
Less: Allowance for impairment loss	<u>(44,639)</u>	<u>(65,024)</u>
	<u>\$ 2,877,346</u>	<u>\$ 3,172,594</u>

The average credit period of sales of goods is 30 to 90 days. No interest is charged on trade receivables. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group has no notes receivable past due. The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	181 to 360 Days Past Due	Over 1 Year Past Due	Total
Expected credit loss rate	0.001%	0.5%-2%	3%-5%	10%	50%-100%	
<u>December 31, 2020</u>						
Gross carrying amount	\$ 2,402,833	\$ 444,426	\$ 25,828	\$ 4,035	\$ 44,863	\$ 2,921,985
Loss allowance (Lifetime ECLs)	<u>(4,951)</u>	<u>(3,235)</u>	<u>(915)</u>	<u>(403)</u>	<u>(35,135)</u>	<u>(44,639)</u>
Amortized cost	<u>\$ 2,397,882</u>	<u>\$ 441,191</u>	<u>\$ 24,913</u>	<u>\$ 3,632</u>	<u>\$ 9,728</u>	<u>\$ 2,877,346</u>
<u>December 31, 2019</u>						
Gross carrying amount	\$ 2,862,810	\$ 276,653	\$ 31,336	\$ 13,822	\$ 52,997	\$ 3,237,618
Loss allowance (Lifetime ECLs)	<u>(14,261)</u>	<u>(1,625)</u>	<u>(1,057)</u>	<u>(1,314)</u>	<u>(46,767)</u>	<u>(65,024)</u>
Amortized cost	<u>\$ 2,848,549</u>	<u>\$ 275,028</u>	<u>\$ 30,279</u>	<u>\$ 12,508</u>	<u>\$ 6,230</u>	<u>\$ 3,172,594</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 65,024	\$ 69,934
Add: Impairment loss	6,552	831
Less: Amounts written off	(24,813)	(7,596)
Foreign exchange gains and losses	<u>(2,124)</u>	<u>1,855</u>
Balance at December 31	<u>\$ 44,639</u>	<u>\$ 65,024</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Finished goods	\$ 890,494	\$ 965,885
Work in progress	49,094	53,846
Raw materials	1,327,053	1,433,913
Inventory in transit	<u>30,365</u>	<u>30,985</u>
	<u>\$ 2,297,006</u>	<u>\$ 2,484,629</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$15,242,548 thousand and \$17,245,038 thousand, respectively.

The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of \$8,473 thousand and \$15,765 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Businesses	% of Ownership	
			December 31	2019
			2020	
The Corporation	Hon Chuan Holding Limited ("Samoa Hon Chuan")	Overseas reinvested holding company and international trade	100	100
	Bon Trust International Trade Co., Ltd. ("Bon Trust")	Overseas reinvested holding company and international trade	99.9	99.9
	Hon Chuan (Cambodia) Co., Ltd. ("Hon Chuan Cambodia")	Manufacture and sale of PET bottles	100	100
	Hon Chuan (Philippines) Co., Ltd. ("Hon Chuan Philippines")	Manufacture and sale of plastic caps and PET bottles	100	-
Samoa Hon Chuan	Hon Chuan (China) Holdings Co., Ltd. ("Hon Chuan China")	Overseas reinvested holding company	96.236	94.17
	HC (Asia) Holdings Co., Ltd. ("Hon Chuan Asia")	Overseas reinvested holding company and international trade	100	100
	Hon Chuan (Africa) Holdings Co., Ltd. ("Hon Chuan Africa")	Overseas reinvested holding company and international trade	100	100
Hon Chuan China	Kai Gang Industries Limited ("Kai Gang")	Overseas reinvested holding company	100	100
	Hon Hsing (Samoa) Holding Limited ("Samoa Hon Hsing")	Overseas reinvested holding company	100	100
Hon Chuan Asia	Hon Chuan (Thailand) Co., Ltd. ("Hon Chuan Thailand")	Manufacture and sale of plastic caps and PET bottles	100	100
	PT Hon Chuan Indonesia ("Hon Chuan Indonesia")	Manufacture and sale of plastic caps and PET bottles	100	100
	Hon Chuan (Myanmar) Co., Ltd. ("Hon Chuan Myanmar")	Manufacture and sale of plastic caps and PET bottles	70	70
	Hon Chuan Vietnam Co., Ltd. ("Hon Chuan Vietnam")	Manufacture and sale of plastic caps and PET bottles	100	100
	Hon Chuan Malaysia Sdn. Bhd. ("Hon Chuan Malaysia")	Manufacture and sale of plastic caps and PET bottles	100	100
	Honly Holding Co., Ltd. ("Samoa Honly")	Overseas reinvested holding company and international trade	100	95.94
	Honly International Co., Ltd. ("Honly")	Overseas reinvested holding company and international trade	49	49
	Hon Hua (Samoa) Holdings Limited ("Honhua")	Overseas reinvested holding company and international trade	60	60
Kai Gang	Hon Chuan Enterprise (Suzhou) Company Limited ("Suzhou Hon Chuan")	Manufacture and sale of various plastic caps, labels and aluminum closures	100	100
	Hon Chuan Food Packing (Qingxin) Co., Ltd. ("Qingxin Hon Chuan")	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Zhangzhou) Co., Ltd. ("Zhangzhou Hon Chuan")	Manufacture and sale of PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Chuzhou) Co., Ltd. ("Chuzhou Hon Chuan")	Manufacture and sale of various plastic caps and PET bottles	100	100
	Hon Chuan Food Packing (Xiantao) Co., Ltd. ("Xiantao Hon Chuan")	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Enterprise Packing (Luoch) Co., Ltd. ("Luoch Hon Chuan")	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31	
			2020	2019
Samoa Hon Hsing	Suzhou Hongxin Food Packing Co., Ltd. ("Suzhou Hongxin")	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Taiyuan) Co., Ltd. ("Taiyuan Hon Chuan")	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Enterprise (Changsha) Co., Ltd. ("Changsha Hon Chuan")	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Jinan) Co., Ltd. ("Jinan Hon Chuan")	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
Hon Chuan Thailand	Hon Chuan FD Packaging Co., Ltd. ("Hon Fu Thailand")	Manufacture and sale of labels and PET bottles	65	65
Samoa Honly	Honly Food & Beverage Co., Ltd. ("Honly Food")	Beverage packing service	100	100
Suzhou Hongxin	Hon Chuan Food Packing (Anyang) Co., Ltd. ("Anyang Hon Chuan")	Sale of PE/PET packaging, food packaging	100	100
Hon Chuan Africa	Hon Shi (Samoa) Holdings Limited ("Hon Shi Samoa")	Overseas reinvested holding company and international trade	60	60
Hon Shi Samoa	Shimada International Limitada ("Shimada")	Manufacture and sales of plastic caps PET bottles and LDPE membrane	100	100
	Hon Shi Mozambique, Limitada ("Hon Shi Mozambique")	Manufacture and sales of plastic caps	100	100
Hon Hua	Uni Tun Co., Ltd. (Uni Tun)	Water filling	100	100

(Concluded)

The Corporation has the practical ability to direct the relevant activities of Honly; therefore, the Corporation has control over Honly.

The subsidiaries reported in the consolidated financial statements were based on the financial statements audited by auditors for the same year.

12. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
<u>Associates</u>		
Unlisted company		
Paeon International Co., Ltd ("Paeon Company")	\$ 15,543	\$ 16,393

At the end of the reporting period, the proportions of ownership and voting rights in associates held by the Group were as follows:

	December 31	
	2020	2019
<u>Name of Associates</u>		
Paeon Company	23.08%	23.08%

Aggregate information of associates

	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Loss from continuing operations	\$ <u>(32)</u>	\$ <u>(3,361)</u>

Refer to Table 7 for the nature of activities, principal place of business and countries of incorporation of the associates.

The Group's share of loss of the associate accounted for using the equity method was recognized based on the associate's audited financial statements

13. PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Disposals	Reclassified Amount	Effects of foreign currency exchange differences	Ending Balance
<u>For the Year Ended December 31, 2020</u>						
Cost						
Freehold land	\$ 779,341	\$ -	\$ (207)	\$ -	\$ (15,833)	\$ 763,301
Buildings	6,648,758	77,067	-	190,483	(43,384)	6,872,924
Equipment	20,533,181	238,119	(512,809)	1,250,857	(171,551)	21,337,797
Other equipment	7,459,685	351,513	(228,900)	542,877	(60,082)	8,065,093
Property under construction	<u>300,353</u>	<u>370,873</u>	<u>-</u>	<u>(11,380)</u>	<u>(23,208)</u>	<u>636,638</u>
	<u>35,721,318</u>	<u>\$ 1,037,572</u>	<u>\$ (741,916)</u>	<u>\$ 1,972,837</u>	<u>\$ (314,058)</u>	<u>37,675,753</u>
Accumulated depreciation						
Buildings	2,031,056	\$ 255,487	\$ -	\$ -	\$ (2,710)	2,283,833
Equipment	12,698,035	1,368,987	(447,922)	-	(71,131)	13,547,969
Other equipment	<u>4,845,754</u>	<u>566,961</u>	<u>(200,270)</u>	<u>-</u>	<u>(23,280)</u>	<u>5,189,165</u>
	<u>19,574,845</u>	<u>\$ 2,191,435</u>	<u>\$ (648,192)</u>	<u>\$ -</u>	<u>\$ (97,121)</u>	<u>21,020,967</u>
	<u>\$16,146,473</u>					<u>\$16,654,786</u>

	Beginning Balance	Additions	Disposals	Reclassified Amount	Effects of foreign currency exchange differences	Ending Balance
<u>For the Year Ended</u> <u>December 31, 2019</u>						
Cost						
Freehold land	\$ 772,557	\$ -	\$ -	\$ -	\$ 6,784	\$ 779,341
Buildings	5,986,895	12,184	-	711,575	(61,896)	6,648,758
Equipment	20,070,951	162,270	(294,213)	924,955	(330,782)	20,533,181
Other equipment	7,182,442	148,641	(95,237)	277,850	(54,011)	7,459,685
Property under construction	<u>728,617</u>	<u>318,643</u>	<u>-</u>	<u>(746,655)</u>	<u>(252)</u>	<u>300,353</u>
	<u>34,741,462</u>	<u>\$ 641,738</u>	<u>\$ (389,450)</u>	<u>\$ 1,167,725</u>	<u>\$ (440,157)</u>	<u>35,721,318</u>
Accumulated depreciation						
Buildings	1,808,781	\$ 253,272	\$ -	\$ -	\$ (30,997)	2,031,056
Equipment	11,752,003	1,381,066	(225,823)	-	(209,211)	12,698,035
Other equipment	<u>4,387,035</u>	<u>582,824</u>	<u>(79,269)</u>	<u>-</u>	<u>(44,836)</u>	<u>4,845,754</u>
	<u>17,947,819</u>	<u>\$ 2,217,162</u>	<u>\$ (305,092)</u>	<u>\$ -</u>	<u>\$ (285,044)</u>	<u>19,574,845</u>
	<u>\$16,793,643</u>					<u>\$16,146,473</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	20-60 years
Electrical power equipment	10-50 years
Other	10-50 years
Machinery equipment	3-22 years
Other equipment	2-25 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 28.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amount</u>		
Land	\$ 1,071,469	\$ 959,773
Buildings	128,015	154,832
Other equipment	<u>501</u>	<u>1,298</u>
	<u>\$ 1,199,985</u>	<u>\$ 1,115,903</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ 167,481	\$ 67,365
Depreciation charge for right-of-use assets		
Land	\$ 28,415	\$ 24,246
Buildings	31,278	33,870
Other equipment	<u>801</u>	<u>703</u>
	\$ 60,494	\$ 58,819

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	\$ 45,875	\$ 52,571
Non-current	\$ 464,855	\$ 391,845

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.18%	1.18%
Buildings	3.83%	3.83%
Other equipment	3.83%	3.83%

c. Material leasing activities and terms

The Group leases land for the use of plants, office spaces and warehouses with lease terms of 10 years from the Export Processing Zone Administration, MOEA of the ROC. Based on the lease, the variable lease payments are dependent on the Taiwan consumer price index of the year before the lease. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease term. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 139,304	\$ 115,038
Total cash outflow for leases	\$ (195,597)	\$ (181,513)

The Group leases certain buildings, office equipment and transportation equipment qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. OTHER ASSETS

	December 31	
	2020	2019
Office supplies	\$ 597,402	\$ 548,155
Prepaid expenses and prepayment for purchases	260,938	261,252
Refundable deposits	64,244	51,423
Other receivables	31,592	54,537
Tax refund receivable	26,937	30,011
Restricted assets (Note 28)	1,594	5,009
Others	<u>267,752</u>	<u>391,287</u>
	<u>\$ 1,250,459</u>	<u>\$ 1,341,674</u>
Current	\$ 1,179,947	\$ 1,284,105
Non-current	<u>70,512</u>	<u>57,569</u>
	<u>\$ 1,250,459</u>	<u>\$ 1,341,674</u>

The movements of the loss allowance of other receivables were as follows:

	For the Year Ended December 31, 2020
Balance at January 1	\$ -
Add: Impairment loss	<u>13,820</u>
Balance at December 31	<u>\$ 13,820</u>

Restricted assets pledged as collateral for bank borrowings were set out in Note 28.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 1,570,076	\$ 3,484,521
Loans for purchasing raw materials	<u>24,376</u>	<u>68,480</u>
	<u>\$ 1,594,452</u>	<u>\$ 3,553,001</u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	0.72-1.23	0.79-3.20
Loans for purchasing raw materials	1.06	0.95-1.33

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	<u>\$ 3,100,000</u>	<u>\$ 1,375,000</u>
<u>Rate of interest per annum (%)</u>		
Commercial paper	0.56-0.60	0.74-0.82

c. Long-term borrowings

	December 31	
	2020	2019
Line of credit borrowings - March 2021 to July 2026	\$ 7,288,381	\$ 6,966,965
Less: Current portion	(46,980)	(1,000,000)
Discounts on government grants (Note 24)	<u>(54,362)</u>	<u>(35,778)</u>
Long-term borrowings	<u>\$ 7,187,039</u>	<u>\$ 5,931,187</u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	0.10-1.52	0.10-2.96

The Corporation provided endorsement and guarantees for Samoa Hon Chuan for their syndicated loan agreement into which they entered with a group of banks led by Land Bank of Taiwan Co., Ltd. The purpose of the loan is for the repayment of short-term bank loans, procurement of funds for future investment and to increase operating capital. Under the agreement, the Corporation should maintain certain financial ratios based on its annual consolidated financial statements as listed below:

- 1) Current ratio (current assets/ current liabilities) - at least 80% of consolidated financial statements.
- 2) Debit ratio (total liabilities/ net tangible assets) - maximum of 200% of consolidated financial statements.
- 3) Interest coverage ratio - at least 500% of consolidated financial statements.

If the Group is not able to maintain any of the financial ratios as listed above, it must improve the related financial ratios and provide documents of the improvement certified by the Group's auditor within five months of the following year starting April 1. If the Group's financial ratios improved within the grace period, there will be no violation of the agreement. However, the Group should pay an additional 0.2% of the original annual interest rate from April 1 of the following year to the date of the improvement. As of December 31, 2020, the loan facilities have not yet been used.

17. BONDS PAYABLE

	December 31	
	2020	2019
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Bonds discount	<u>(2,596)</u>	<u>(3,692)</u>
	<u>\$ 2,997,404</u>	<u>\$ 2,996,308</u>

On April 27, 2018, the Corporation issued five-year unsecured domestic bonds for a total of \$3,000,000 thousand with a coupon rate of 1.07% and an effective interest rate of 1.1079%. The principal is repayable in cash upon maturity (April 27, 2023).

18. OTHER LIABILITIES

	December 31	
	2020	2019
Payables for salaries	\$ 286,711	\$ 241,404
Payables for purchases of equipment	218,115	138,255
Advance receipts	56,693	144,434
Payables for bonus to employees	33,125	28,951
Payables for annual leave	25,305	23,531
Payables for remuneration of directors	14,586	12,429
Others	<u>505,986</u>	<u>572,050</u>
	<u>\$ 1,140,521</u>	<u>\$ 1,161,054</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in China, Indonesia, Vietnam, Thailand, Malaysia, Myanmar, Cambodia and Africa are members of state-managed retirement benefit plans operated by their respective governments. Each subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 138,480	\$ 139,598
Fair value of plan assets	<u>(124,484)</u>	<u>(118,458)</u>
Net defined benefit liabilities	<u>\$ 13,996</u>	<u>\$ 21,140</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	<u>\$ 137,732</u>	<u>\$ (109,144)</u>	<u>\$ 28,588</u>
Service cost			
Current service cost	668	-	668
Net interest expense (income)	<u>1,550</u>	<u>(1,288)</u>	<u>262</u>
Recognized in profit or loss	<u>2,218</u>	<u>(1,288)</u>	<u>930</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,965)	(3,965)
Actuarial loss - changes in demographic assumptions	182	-	182
Actuarial loss - changes in financial assumptions	912	-	912
Actuarial loss - experience adjustments	<u>5908</u>	<u>-</u>	<u>5,908</u>
Recognized in other comprehensive income	<u>7,002</u>	<u>(3,965)</u>	<u>3,037</u>
Contributions from the employer	-	(11,415)	(11,415)
Benefits paid	<u>(7,354)</u>	<u>7,354</u>	<u>-</u>
Balance at December 31, 2019	<u>139,598</u>	<u>(118,458)</u>	<u>21,140</u>
Service cost			
Current service cost	617	-	617
Net interest expense (income)	<u>1,117</u>	<u>(988)</u>	<u>129</u>
Recognized in profit or loss	<u>1,734</u>	<u>(988)</u>	<u>746</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,715)	(3,715)
Actuarial loss - changes in demographic assumptions	871	-	871
Actuarial loss - changes in financial assumptions	4,355	-	4,355
Actuarial loss - experience adjustments	<u>3,879</u>	<u>-</u>	<u>3,879</u>
Recognized in other comprehensive income	<u>9,105</u>	<u>(3,715)</u>	<u>5,390</u>
Contributions from the employer	-	(13,280)	(13,280)
Benefits paid	<u>(11,957)</u>	<u>11,957</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 138,480</u>	<u>\$ (124,484)</u>	<u>\$ 13,996</u>

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2020	2019
Discount rate(s)	0.350%	0.800%
Expected rate(s) of salary increase	1.125%	1.125%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate		
0.25% increase	\$ (2,471)	\$ (2,559)
0.25% decrease	\$ 2,547	\$ 2,639
Expected rate of salary increase/decrease		
0.25% increase	\$ 2,439	\$ 2,536
0.25% decrease	\$ (2,379)	\$ (2,472)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	\$ 11,843	\$ 9,938
Average duration of the defined benefit obligation	9 years	9 years

20. EQUITY

a. Share capital

	December 31	
	2020	2019
Shares authorized (in thousands of shares)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Shares issued and fully paid (in thousands of shares)	<u>287,786</u>	<u>292,879</u>
Shares issued	<u>\$ 2,877,859</u>	<u>\$ 2,928,789</u>

b. Capital surplus

	December 31	
	2020	2019
Arising from issuance of common shares (1)	\$ 4,841,447	\$ 4,927,127
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (1)	353,848	358,475
Other (2)	<u>200,277</u>	<u>200,270</u>
	<u>\$ 5,395,572</u>	<u>\$ 5,485,872</u>

1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's paid-in capital and to once a year).

2) Such capital surplus may be used to offset a deficit.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Corporation made a profit after tax in a fiscal year, the profit shall be first utilized for offsetting cumulative losses, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals the Corporation's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, please refer to compensation of employees and remuneration of directors in Note 21-d.

The dividends and bonuses, capital surplus, or legal reserve can be distributed in the whole or in part by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholder's meeting.

The dividends policy of the Corporation shall be made according to the Corporation's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Corporation may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings are less than 10% of capital, the Corporation may decide not to distribute dividend.

The shareholders' dividends shall be distributed in the form of cash dividends or share dividends. More than (or equal to) 50% of the total amount of shareholders' dividends shall be in the form of cash dividends.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2019 and 2018, which were approved in the shareholders' meetings on June 2020 and 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 138,104	\$ 109,253		
Special reserve	209,737	377,097		
Cash dividends	878,637	673,621	\$3.05	\$2.30

The appropriation of earnings for 2020, which were proposed/resolved by the Corporation's board of directors on March 23, 2021, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
<u>Proposed</u>		
Legal reserve	\$ 151,030	
Special reserve	356,137	
<u>Resolved</u>		
Cash dividends	\$ 1,036,029	\$ 3.6

The appropriation of earnings as cash dividends as listed above had been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 18, 2021.

d. Special reserves

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated to the special reserve an amount of \$352,668 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

e. Treasury shares

Purpose of Buy-back	Number of shares at January 1	Increase During the Year	Decrease During the Year	Number of shares at December 31
<u>For the Year Ended December 31, 2020</u>				
Shares cancelled	<u>-</u>	<u>5,093,000</u>	<u>(5,093,000)</u>	<u>-</u>

In order to maintain the Group's creditworthiness and protect shareholders' interests, the Corporation's board of directors resolved in March 2020 to buy back and cancel 5,093 thousand treasury shares in accordance with Article 28-2 of the Securities and Exchange Act. As of December 31, 2020, the shares had been fully repurchased and the cost of the repurchase was \$277,423 thousand. On June 30, 2020, the treasury shares were cancelled and the registration of the change was completed in July 2020.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

21. NET PROFIT FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations include the following items:

a. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ (14,555)	\$ 31,686
Loss on valuation of financial assets and liabilities at FVTPL	(4,542)	(11,406)
Loss recognized on associates accounted for using the equity method	(32)	(3,361)
Miscellaneous expense	(25,168)	(246,635)
Miscellaneous income	<u>127,575</u>	<u>175,003</u>
	<u>\$ 83,278</u>	<u>\$ (54,713)</u>

b. Finance costs

	<u>For the Year Ended December 31</u>	
	2020	2019
Interest on bank loans	\$ 114,252	\$ 216,949
Interest on convertible bonds	33,196	33,184
Interest on lease liabilities	9,016	10,215
Other finance costs	<u>11,303</u>	<u>1,354</u>
	<u>\$ 167,767</u>	<u>\$ 261,702</u>

c. Employee benefits expense, depreciation and amortization expenses

	For the Year Ended December 31					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll expense	\$ 1,334,919	\$ 565,604	\$ 1,900,523	\$ 1,294,738	\$ 532,149	\$ 1,826,887
Labor and health insurance expense	69,015	24,890	93,905	54,881	20,941	75,822
Pension expense	29,076	13,309	42,385	22,505	54,932	77,437
Other employee benefits expense	39,364	50,306	89,670	26,474	49,674	76,148
Remuneration of directors	-	14,586	14,586	-	12,429	12,429
Depreciation expenses	2,013,013	238,916	2,251,929	2,048,324	227,657	2,275,981
Amortization expenses	28,763	7,650	36,413	12,946	6,448	19,394

d. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Corporation's board of directors on March 23, 2021 and March 23, 2020, respectively, were as follows:

	For the Year Ended December 31			
	2020		2019	
	%	Cash	%	Cash
Compensation of employees	1.78%	\$ 33,066	1.78%	\$ 28,951
Remuneration of directors	0.79%	14,586	0.76%	12,429

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 462,208	\$ 481,539
Adjustments for prior year	(15,428)	23,152
Deferred tax		
In respect of the current year	(24,734)	27,556
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>2,527</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 424,573</u>	<u>\$ 532,247</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	\$ 638,573	\$ 626,466
Nondeductible expenses in determining taxable income	2,326	43,198
Deductible items in determining taxable income	(1,592)	(373)
Tax-exempt income	(44,345)	(869)
Unrecognized loss carryforwards	26,951	21,398
Unrecognized deductible temporary differences	(184,439)	(180,725)
Effect of tax rate changes	2,527	-
Adjustments for prior years' tax	<u>(15,428)</u>	<u>23,152</u>
Income tax expense recognized in profit or loss	<u>\$ 424,573</u>	<u>\$ 532,247</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

In addition, in accordance with Rule No. 10904558730 issued by the MOF, the Group has deducted the amount of dividends distributed in 2020 attributable to the increase in retained earnings at the beginning of retained earnings for 2018 as a result of initial adoption of IFRS 9 and IFRS 15 when calculating the tax on unappropriated earnings for 2018.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
In respect of current period		
- Remeasurement of defined benefit plans	\$ <u>1,078</u>	\$ <u>607</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2020			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Tax losses	\$ 156,991	\$ 23,029	\$ -	\$ 180,020
Defined benefit obligation	7,626	(2,118)	1,078	6,586
Allowance for impairment loss of write-down of inventories	6,664	1,402	-	8,066
Others	<u>13,264</u>	<u>8,172</u>	<u>-</u>	<u>21,436</u>
	<u>\$ 184,545</u>	<u>\$ 30,485</u>	<u>\$ 1,078</u>	<u>\$ 216,108</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Others	<u>44,783</u>	<u>8,278</u>	<u>-</u>	<u>53,061</u>
	<u>\$ 69,066</u>	<u>\$ 8,278</u>	<u>\$ -</u>	<u>\$ 77,344</u>
	For the Year Ended December 31, 2019			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Tax losses	\$ 172,882	\$ (15,891)	\$ -	\$ 156,991
Defined benefit obligation	5,718	1,301	607	7,626
Allowance for impairment loss of write-down of inventories	10,768	(4,104)	-	6,664
Others	<u>8,688</u>	<u>4,576</u>	<u>-</u>	<u>13,264</u>
	<u>\$ 198,056</u>	<u>\$ (14,118)</u>	<u>\$ 607</u>	<u>\$ 184,545</u>

For the Year Ended December 31, 2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Others	<u>31,345</u>	<u>13,438</u>	<u>-</u>	<u>44,783</u>
	<u>\$ 55,628</u>	<u>\$ 13,438</u>	<u>\$ -</u>	<u>\$ 69,066</u>

- d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$559,930 thousand and \$445,469 thousand, respectively.

- e. Information about unused loss carryforwards and tax-exemptions

Investee	Unused Amount	Expiry Year
Suzhou Honxin	\$ 552,818	2021-2024
Suzhou Hon Chuan	71,745	2021-2024
Zhangzhou Hon Chuan	<u>80,787</u>	2023-2024
	<u>\$ 705,350</u>	

As of December 31, 2020 under the local regulations of Suzhou Hon Chuan, Suzhou Honxin and Zhangzhou Hon Chuan, their loss carryforwards may offset against future taxable income.

- f. Income tax assessments

Income tax returns of the Corporation through 2018 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2020</u>			
Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 1,655,412	289,585	<u>\$ 5.72</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>696</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 1,655,412</u>	<u>290,281</u>	<u>\$ 5.70</u>
<u>For the year ended December 31, 2019</u>			
Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 1,381,036	292,879	<u>\$ 4.72</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>577</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 1,381,036</u>	<u>293,456</u>	<u>\$ 4.71</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. GOVERNMENT GRANTS

Except as disclosed in other notes, the following government grants were received by the Group:

As of December 31, 2020, according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” made by the government, the Corporation borrowed \$1,929,661 thousand from the National Development Fund with an preferential interest rate for its operation and purchase of equipment. The loan is expected to be settled within 5 to 7 years in equal installments. Using the prevailing market interest rates of 0.85%-1.60% for an equivalent loan, the fair value of the loan was estimated at \$1,862,643 thousand on initial recognition. The difference of \$67,018 thousand between the proceeds and the fair value of the loan is viewed as a government grants derived from an interest-free loan and is recognized as deferred revenue, which will be subsequently transferred to profit or loss over time. For the year ended December 31, 2020, the amount recognized in other revenue was \$8,047 thousand, and interest expense recognized on this loan was \$11,303 thousand.

If the Corporation fails to comply the loan regulations, and the National Development Fund terminates the grants, the Corporation will pay the loan with the original agreed interest rate plus the annual interest rate.

Jinan Hon Chuan, Qingxin Hon Chuan, and Chuzhou Hon Chuan acquired land use rights, invested in equipment, and constructed electronic projects, respectively, and received a government grant of RMB 6,028 thousand in total. The amount was recognized as deferred revenue and was subsequently transferred to profit or loss over the useful lives of the related assets.

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	\$ 16,640	\$ -	\$ -	\$ 16,640
Foreign corporate bonds	29,681	-	-	29,681
Foreign exchange forward contracts	-	1,101	-	1,101
	<u>\$ 46,321</u>	<u>\$ 1,101</u>	<u>\$ -</u>	<u>\$ 47,422</u>
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign exchange forward contracts	\$ -	\$ 3,563	\$ -	\$ 3,563
Financial assets at fair value through other comprehensive income				
Equity investments				
Foreign listed shares	\$ 8,839	\$ -	\$ -	\$ 8,839
Unlisted shares	-	-	27,897	27,897
	<u>\$ 8,839</u>	<u>\$ -</u>	<u>\$ 27,897</u>	<u>\$ 36,736</u>

	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	\$ 29,775	\$ -	\$ -	\$ 29,775
Shares of publicly quoted entity	12,652	-	-	12,652
Foreign corporate bonds	29,223	-	-	29,223
Foreign exchange forward contracts	<u>-</u>	<u>25</u>	<u>-</u>	<u>25</u>
	<u>\$ 71,650</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 71,675</u>
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 142</u>	<u>\$ -</u>	<u>\$ 142</u>
Financial assets at fair value through other comprehensive income				
Equity investments				
Foreign listed shares	\$ 5,099	\$ -	\$ -	\$ 5,099
Unlisted shares	<u>-</u>	<u>-</u>	<u>35,399</u>	<u>35,399</u>
	<u>\$ 5,099</u>	<u>\$ -</u>	<u>\$ 35,399</u>	<u>\$ 40,498</u>

There were no transfers between Level 1 and 2 in the current and prior years.

2) Valuation techniques and assumptions applied for fair value measurement

- a) The fair value of financial instruments with standard terms and conditions that are traded in an active market, including listed shares and emerging market shares, is determined based on the market price.
- b) The fair values of foreign exchange forward contracts are determined using the discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- c) The unlisted equity investments at fair value through other comprehensive income are all measured at Level 3. The fair values of unlisted equity investments are determined using price-to-book ratio approach. In this approach, according to the financial information of the companies, both net book value per share calculated and share price estimated by comparing share price or P/E ratio with similar companies were used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

3) Reconciliation of Level 3 fair value measurements of financial instruments

Financial assets at fair value through other comprehensive income - equity instruments

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 35,399	\$ 38,776
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(3,502)	752
Proceeds from sale of equity instruments at fair value through other comprehensive income	-	(129)
Return of capital due to capital reduction of invested companies	<u>(4,000)</u>	<u>(4,000)</u>
Balance at December 31	<u>\$ 27,897</u>	<u>\$ 35,399</u>

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 47,422	\$ 71,675
Financial assets at amortized cost		
Cash and cash equivalents	4,047,124	3,938,285
Notes receivable and trade receivables	3,036,502	3,318,476
Financial assets at fair value through other comprehensive income - equity investments	36,736	40,498
Other receivables	31,592	54,537
Refundable deposits	64,244	51,423
<u>Financial liabilities</u>		
Mandatorily classified as at FVTPL	3,563	142
Amortized cost		
Short-term borrowings	1,594,452	3,553,001
Short-term bills payable	3,100,000	1,375,000
Notes payable and trade payables	826,850	1,016,967
Bonds payable	2,997,404	2,996,308
Long-term borrowings (including current portion)	7,234,019	6,931,187
Other payables	724,101	710,305
Guarantee deposits received	32,163	24,940

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, borrowings and liability component of preference shares. The Group's corporate treasury function identifies and assesses the risks and manages market uncertainties with the objective of reducing the potentially adverse effects that market fluctuations may have on its financial performance. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's corporate treasury function evaluates, on a quarterly basis, whether the use of financial derivatives is governed by the Group's policies that were approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's corporate treasury function evaluates, on a quarterly basis, whether the use of financial derivatives is governed by the Group's policies that were approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk

The Group and several subsidiaries of the Corporation have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts. The use of financial derivatives would reduce the influence of foreign exchange risk but could not completely eliminate the risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Group is mainly exposed to the USD.

The Group's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The sensitivity analysis included external borrowings as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. Assuming a 1% strengthening in the levels of the NTD against the USD, the pre-tax profit for the years ended December 31, 2020 and 2019 would have changed by decreasing \$2,430 thousand and increasing \$4,278 thousand, respectively. Assuming a 1% strengthening in the levels of the NTD against the EUR, the pre-tax profit for the years ended December 31, 2020 and 2019 would have changed by increasing \$2,380 thousand and \$726 thousand, respectively.

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial liabilities	\$ 6,608,134	\$ 4,815,724
Cash flow interest rate risk		
Financial liabilities	8,828,471	10,484,188

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.125% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been raised by 0.125% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease by \$11,036 thousand and \$13,105 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, is arising from:

- The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for irrecoverable amounts. In this regard, the management believes the Group's credit risk has been significantly reduced.

Trade receivables consist of a large number of customers, which spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade receivables. The Group's concentrations of credit risk regarding top 5 customers were both 28% in total trade receivables as of December 31, 2020 and 2019. No other concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Corporation had available unutilized short-term bank loan facilities of \$15,511,080 thousand and \$14,628,646 thousand, respectively.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2020</u>			
Non-derivative financial liabilities			
Borrowings	\$ 1,641,432	\$ 6,880,062	\$ 361,339
Short-term bills payable	3,100,000	-	-
Non-interest bearing liabilities	826,850	-	-
Bonds payable	-	2,997,404	-
Lease liabilities	<u>54,509</u>	<u>204,223</u>	<u>329,838</u>
	<u>\$ 5,622,791</u>	<u>\$ 10,081,689</u>	<u>\$ 691,177</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 3,563</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>			
Non-derivative financial liabilities			
Borrowings	\$ 4,553,001	\$ 5,729,238	\$ 237,727
Short-term bills payable	1,375,000	-	-
Non-interest bearing liabilities	1,016,967	-	-
Bonds payable	-	2,996,308	-
Lease liabilities	<u>61,185</u>	<u>178,408</u>	<u>268,242</u>
	<u>\$ 7,006,153</u>	<u>\$ 8,903,954</u>	<u>\$ 505,969</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 142</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
<u>December 31, 2020</u>						
Lease liabilities	\$ 54,509	\$ 204,223	\$ 75,297	\$ 57,864	\$ 56,384	\$ 140,293
<u>December 31, 2019</u>						
Lease liabilities	\$ 61,185	\$ 178,408	\$ 87,730	\$ 46,912	\$ 41,805	\$ 91,795

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category
Food and Drink Public Company Limited	Others
Chiu Vorng Vorng Mary Company Co., Ltd.	Others
Ann Huang	Others

b. Sales of goods

	<u>For the Year Ended December 31</u>	
	2020	2019
Net sales		
Others	\$ 5,507	\$ 10,253
Rental expenses (recorded under manufacturing or operation expenses)		
Others	\$ 3,668	\$ 3,770

The price of sales to related parties and collection terms approximated those for third parties.

The Corporation has leased warehouse from related parties. The rent is based on the rates of neighboring properties and paid monthly.

	<u>December 31</u>	
	2020	2019
Trade receivables		
Others	\$ 1,507	\$ 3,074
Other receivables (recognized as other current assets)		
Others	\$ 5	\$ -
Other payables (recognized as other current liabilities)		
Others	\$ 318	\$ -

c. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 64,332	\$ 79,309
Post-employment benefits	<u>235</u>	<u>239</u>
	<u>\$ 64,567</u>	<u>\$ 79,548</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2020	2019
Property, plant and equipment	\$ 237,291	\$ 136,630
Restricted assets (recognized as other current assets)	<u>1,594</u>	<u>5,009</u>
	<u>\$ 238,885</u>	<u>\$ 141,639</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$318,812 thousand and \$242,099 thousand, respectively.
- b. Unrecognized commitments were as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	<u>\$ 464,981</u>	<u>\$ 933,510</u>

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group, and the exchange rates between the foreign currencies and the respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

		December 31					
		2020			2019		
		Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets of monetary items</u>							
USD	\$	19,977	28.48	\$ 568,945	\$ 16,346	29.98	\$ 490,053
EUR		1,132	35.02	39,643	1,869	33.59	62,780
<u>Financial liabilities of monetary items</u>							
USD		11,443	28.48	325,897	30,616	29.98	917,868
EUR		7,927	35.02	277,604	4,031	33.59	135,401

The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
		2020	2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1.0000	\$ (7,695)	1.0000	\$ 4,440
USD	29.549	4,939	30.912	322
RMB	4.2755	6,492	4.4875	(7,226)
MZN	0.4255	(8,677)	0.4943	(1,161)
IDR	0.0020	(9,901)	0.0022	110
MMK	0.0215	14,573	0.0203	3,090
THB	0.9496	3,904	1.0008	(1,797)
MYR	6.7345	(1,170)	7.1760	2,303
VND	0.0012	(594)	0.0012	1,196
PHP	0.5887	(3,456)	-	-
		<u>\$ (1,585)</u>		<u>\$ 1,277</u>

31. OTHER ITEMS

Environmental Protection Bureau of Taichung City Government (“Environmental Protection Bureau”), Environmental Protection Administration Executive Yuan, R.O.C. (Taiwan), and Taichung District Prosecutors Office (“Taichung Prosecutors Office”) collectively inspected the label factories of the Corporation and discovered that the air pollution control equipment was not functioning properly. As a result, Environmental Protection Bureau issued Letter No. 1070126655 with fine notifications No. 20-107-110002 and No. 20-107-110003 which amounted to \$20,200 thousand fine. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the current year. The

Corporation appointed a lawyer to appeal for an administrative remedy to the Supreme Administrative Court, and the case is currently under appeal.

Because of the abovementioned event, Environmental Protection Bureau issued Letter No. 1080045552 on May 2, 2019 for the air pollution charge of \$125,869 thousand from the third quarter of 2013 through the second quarter of 2018. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the first half of 2019. The Corporation appointed a lawyer to appeal to Taichung High Administrative Court for administrative litigation. The Taichung High Administrative Court announced the first-instance verdict that the Corporation lost the trial, and the case was appealed to the Supreme Administrative Court and is currently under trial. The investigation of the case was closed by the Taichung District Prosecutors Office on September 20, 2019. In addition to ordering the Corporation to pay the unlawful income of \$77,299 thousand, which was the air pollution charge from the fourth quarter of 2010 through the second quarter of 2018, the prosecutors charged 19 persons, including the Corporation, for indictable offense due to violation of Air Pollution Control Act. The case underwent a trial in the Taichung District Court. The Corporation paid the aforementioned unlawful income and recognized the amount as other losses under non-operating income and expenses in 2019.

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT \$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT \$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT \$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments. (Note 7)
- 10) Intercompany relationships and significant intercompany transactions. (Table 6)
- 11) Information on investees. (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at

the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: (None).

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Domestic - Manufacture and sale in Taiwan.
- Foreign - Manufacture and sale in countries other than Taiwan.

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Domestic	Foreign Subsidiaries	Adjustment and Elimination	Total
<u>For the Year ended December 31, 2020</u>				
Revenue from external customers	\$ 8,175,370	\$ 11,172,879	\$ -	\$ 19,348,249
Inter-segment revenue	63,280	111,866	(175,146)	-
Segment revenue	<u>\$ 8,238,650</u>	<u>\$ 11,284,745</u>	<u>\$ (175,146)</u>	<u>\$ 19,348,249</u>
Segment income	<u>\$ 1,008,289</u>	<u>\$ 1,181,557</u>		\$ 2,189,846
Financial costs				(167,767)
Foreign exchange loss				(1,585)
Other gains and losses				<u>134,819</u>
Profit before tax				<u>\$ 2,155,313</u>

	Domestic	Foreign Subsidiaries	Adjustment and Elimination	Total
<u>For the Year ended December 31, 2019</u>				
Revenue from external customers	\$ 8,574,895	\$ 12,952,453	\$ -	\$ 21,527,348
Inter-segment revenue	77,982	145,545	(223,527)	-
Segment revenue	<u>\$ 8,652,877</u>	<u>\$ 13,097,998</u>	<u>\$ (223,527)</u>	<u>\$ 21,527,348</u>
Segment income	<u>\$ 1,004,681</u>	<u>\$ 1,251,267</u>		\$ 2,255,948
Financial costs				(261,702)
Foreign exchange loss				1,277
Other gains and losses				<u>3,326</u>
Profit before tax				<u>\$ 1,998,849</u>

Inter-segment revenue was accounted for based on market prices.

Segment profit represented the profit before tax earned by each segment without interest income, gains or losses on disposal of property, plant and equipment, exchange gains or losses, valuation gains or losses on financial instruments, loss recognized on associates under equity method, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

- b. The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.
- c. Revenue from major products and services

The following is an analysis of the Corporation's revenue from continuing operations from its major products and services.

	<u>For the Year Ended December 31</u>	
	2020	2019
Packaging materials	\$ 12,582,665	\$ 13,607,228
Beverages (included bottle filling and OEM)	5,920,641	6,641,507
Others	<u>844,943</u>	<u>1,278,613</u>
	<u>\$ 19,348,249</u>	<u>\$ 21,527,348</u>

- d. Geographical information

The Corporation operates in three principal geographical areas - Taiwan, China and Southeast Asia.

The Corporation's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<u>Revenue from External Customers</u>		<u>Non-current Assets</u>	
	<u>For the Year Ended December 31</u>		<u>December 31</u>	
	2020	2019	2020	2019
Taiwan	\$ 8,175,371	\$ 8,574,895	\$ 6,584,058	\$ 6,031,570
China	5,956,008	6,661,662	6,646,760	6,831,791
Southeast Asia	5,036,641	6,033,220	7,239,813	6,937,396
Others	<u>180,229</u>	<u>257,571</u>	<u>345,491</u>	<u>384,678</u>
	<u>\$ 19,348,249</u>	<u>\$ 21,527,348</u>	<u>\$ 20,816,122</u>	<u>\$ 20,185,435</u>

Non-current assets exclude financial instruments and deferred tax assets.

e. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2020 and 2019.

TABLE 1

T AIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED ENTITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
1	Samoa Hon Chuan	Hon Chuan China	Receivable from related parties	Yes	\$ 2,958,218 (US\$ 103,870)	\$ 2,233,402 (US\$ 78,420)	\$ 2,233,402 (US\$ 78,420)	1.75%- 3.41%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 7,376,194	\$ 7,376,194
		Hon Chuan Asia	Receivable from related parties	Yes	14,793 (US\$ 519)	-	-	3.40%- 3.41%	Short-term financing	-	Operating Capital	-	-	-	7,376,194	7,376,194
		Hon Chuan Cambodia	Receivable from related parties	Yes	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	21,360 (US\$ 750)	2.25%- 3.20%	Short-term financing	-	Operating Capital	-	-	-	7,376,194	7,376,194
		Hon Shi Mozambique	Other receivable - related parties	Yes	12,093 (US\$ 425)	-	-	-	Business transaction	6,020 (US\$ 211)	-	-	-	-	6,020	7,376,194
		Shimada	Other receivable - related parties	Yes	13,289 (US\$ 467)	-	-	-	Business transaction	13,289 (US\$ 467)	-	-	-	-	13,289	7,376,194
2	Hon Chuan China	Samoa Hon Hsing	Receivable from related parties	Yes	531,152 (US\$ 18,650)	531,152 (US\$ 18,650)	531,152 (US\$ 18,650)	1.75%- 1.76%	Short-term financing	-	Operating Capital	-	-	-	2,773,328	2,773,328
3	Kai Gang	Hon Chuan China	Receivable from related parties	Yes	122,749 (US\$ 4,310)	85,440 (US\$ 3,000)	85,440 (US\$ 3,000)	1.75%- 3.41%	Short-term financing	-	Operating Capital	-	-	-	2,162,370	2,162,370
4	Hon Chuan Asia	Samoa Honly	Receivable from related parties	Yes	126,166 (US\$ 4,430)	-	-	2.38%- 3.91%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
		Hon Chuan Myanmar	Other receivable - related parties	Yes	30,197 (US\$ 1,060)	-	-	2.38%- 4.89%	Business transaction	-	-	-	-	-	-	3,636,536
		Honly Food	Other receivable - related parties	Yes	3,925 (US\$ 138)	-	-	-	Business transaction	-	-	-	-	-	-	3,636,536
			Receivable from related parties	Yes	5,981 (US\$ 210)	-	-	2.38%- 3.91%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
		Hon Chuan Vietnam	Receivable from related parties	Yes	24,514 (EUR 700)	24,514 (EUR 700)	24,514 (EUR 700)	1.25%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
		Hon hua	Receivable from related parties	Yes	8,930 (EUR 255)	-	-	1.25%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
5	Suzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	30,554 (RMB 7,000)	15,277 (RMB 3,500)	15,277 (RMB 3,500)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	398,074	398,074
		Xiantao Hon Chuan	Receivable from related parties	Yes	39,283 (RMB 9,000)	21,824 (RMB 5,000)	21,824 (RMB 5,000)	2.80%- 3.20%	Short-term financing	-	Operating Capital	-	-	-	398,074	398,074
		Luoch Hon Chuan	Receivable from related parties	Yes	28,371 (RMB 6,500)	28,371 (RMB 6,500)	28,371 (RMB 6,500)	2.80%- 3.20%	Short-term financing	-	Operating Capital	-	-	-	398,074	398,074
6	Changsha Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	122,215 (RMB 28,000)	67,655 (RMB 15,500)	67,655 (RMB 15,500)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
		Xiantao Hon Chuan	Receivable from related parties	Yes	74,202 (RMB 17,000)	74,202 (RMB 17,000)	74,202 (RMB 17,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
		Taiyuan Hon Chuan	Receivable from related parties	Yes	48,013 (RMB 11,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
		Luoch Hon Chuan	Receivable from related parties	Yes	65,472 (RMB 15,000)	48,013 (RMB 11,000)	48,013 (RMB 11,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
7	Jinan Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	85,114 (RMB 19,500)	85,114 (RMB 19,500)	85,114 (RMB 19,500)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	543,506	546,506
		Xiantao Hon Chuan	Receivable from related parties	Yes	26,189 (RMB 6,000)	26,189 (RMB 6,000)	26,189 (RMB 6,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	543,506	543,506
		Taiyuan Hon Chuan	Receivable from related parties	Yes	24,006 (RMB 5,500)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	543,506	543,506
		Luoch Hon Chuan	Receivable from related parties	Yes	144,039 (RMB 33,000)	104,756 (RMB 24,000)	104,756 (RMB 24,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	543,506	543,506

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
8	Taiyuan Hon Chuan	Xiantao Hon Chuan	Receivable from related parties	Yes	\$ 21,824 (RMB 5,000)	\$ -	\$ -	2.80%-3.70%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 649,038	\$ 649,038
		Suzhou Hongxin	Receivable from related parties	Yes	21,824 (RMB 5,000)	-	-	3.20%-3.70%	Short-term financing	-	Operating Capital	-	-	-	649,038	649,038
		Chuzhou Hon Chuan	Receivable from related parties	Yes	91,661 (RMB 21,000)	91,661 (RMB 21,000)	91,661 (RMB 21,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	649,038	649,038
		Luoch Hon Chuan	Receivable from related parties	Yes	109,993 (RMB 25,200)	109,993 (RMB 25,200)	109,993 (RMB 25,200)	2.80%	Short-term financing	-	Operating Capital	-	-	-	649,038	649,038
9	Zhangzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	61,107 (RMB 14,000)	-	-	2.80%-3.70%	Short-term financing	-	Operating Capital	-	-	-	449,372	449,372
		Luoch Hon Chuan	Receivable from related parties	Yes	104,756 (RMB 24,000)	-	-	2.80%-3.70%	Short-term financing	-	Operating Capital	-	-	-	449,372	449,372

Note 1: The financing for operation should not exceed the amount of transaction amounts; the short-term financing should not exceed 40% of the latest net assets of the subsidiaries.

Note 2: The maximum amount is 40% of the latest net assets of the subsidiaries

Note 3: Offshore subsidiaries whose voting share are 100% held, directly or indirectly, by the Corporation will not be subjected to the restriction on 40% of the latest net assets of the Corporation.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

Note 5: Significant intercompany accounts and transactions have been eliminated.

(Concluded)

TABLE 2

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Hon Chuan Indonesia	(Note 4)	\$ 6,295,930	\$ 681,811 (US\$ 23,940)	\$ 681,811 (US\$ 23,940)	\$ 169,497 (US\$ 5,951)	\$ -	5	\$ 12,591,860	Y	-	-
		Samoa Hon Chuan	(Note 4)	6,295,930	1,965,120 (US\$ 69,000)	1,965,120 (US\$ 69,000)	101,104 (US\$ 3,550)	-	16	12,591,860	Y	-	-
		Hon Chuan China	(Note 4)	6,295,930	2,990,400 (US\$ 105,000)	1,139,200 (US\$ 40,000)	579,568 (US\$ 20,350)	-	9	12,591,860	Y	-	-
		Hon Chuan Asia	(Note 4)	6,295,930	626,560 (US\$ 22,000)	626,560 (US\$ 22,000)	-	-	5	12,591,860	Y	-	-
		Luoch Hon Chuan	(Note 4)	6,295,930	341,760 (US\$ 12,000)	142,400 (US\$ 5,000)	-	-	1	12,591,860	Y	-	Y
		Hon Chuan Myanmar	(Note 4)	6,295,930	142,400 (US\$ 5,000)	142,400 (US\$ 5,000)	108,224 (US\$ 3,800)	-	1	12,591,860	Y	-	-
		Samoa Hon Hsing	(Note 4)	6,295,930	541,120 (US\$ 19,000)	541,120 (US\$ 19,000)	-	-	4	12,591,860	Y	-	-
		Qingxin Hon Chuan	(Note 4)	6,295,930	370,240 (US\$ 13,000)	85,440 (US\$ 3,000)	-	-	1	12,591,860	Y	-	Y
		Suzhou Hongxin	(Note 4)	6,295,930	-	-	-	-	-	12,591,860	Y	-	Y
		Xiantao Hon Chuan	(Note 4)	6,295,930	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	-	-	-	12,591,860	Y	-	Y
		Chuzhou Hon Chuan	(Note 4)	6,295,930	56,960 (US\$ 2,000)	28,480 (US\$ 1,000)	-	-	-	12,591,860	Y	-	Y
		Bon Trust	(Note 4)	6,295,930	193,379 (US\$ 6,790)	193,379 (US\$ 6,790)	500 (US\$ 18)	-	2	12,591,860	Y	-	-
1	Hon Chuan Thailand	Hon Fu Thailand	(Note 4)	1,102,036	28,668 (THB 30,000)	28,668 (THB 30,000)	1,911 (THB 2,000)	-	-	2,204,072	-	-	-

Note 1: The maximum is 50% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 2: The maximum is 100% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 3: The maximum amount of the total guarantee for all group entities is 100% of the net assets of the Corporation and subsidiaries.

Note 4: Investees which the Corporation directly and indirectly holds more than 50% percent of the voting shares.

Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

TABLE 3**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2020****(In Thousands of Dollars, Unless Otherwise Specified)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			
				Number of Shares	Carrying Amount (Note 1)	Percentage of Ownership (%)	Fair Value (Note 1)
The Corporation	<u>Share Capital</u> CDIB CME Fund Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,200,000	\$ 19,252	2	\$ 19,252
	Lightel Technologies Inc.	-	Financial assets at fair value through other comprehensive income - non-current	551,051	8,645	2.8	8,645
	<u>Corporate Bonds</u> TCI CO., Ltd.	-	Financial assets at fair value through profit or loss - current	160,000	16,640	-	16,640
	<u>Corporate Bonds</u> Garden Fresh (HK) Fruit & Vegetable Co., Limited	-	Financial instruments at fair value through profit or loss - current	-	29,681 (US\$ 1,042)	-	29,681 (US\$ 1,042)
Hon Chuan Thailand	<u>Share Capital</u> Ichitan Group Public Company Limited	-	Financial assets at fair value through other comprehensive income - non-current	1,000,000	8,839 (THB 9,250)	0.08	8,839 (THB 9,250)

Note 1: The information about fair value please see Note 26.

Note 2: Information on investees, please see Tables 7 and 8.

Note 3: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

TABLE 4

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Ending Balance	
					Number of Shares	Amount (Note 1)	Number of Shares	Amount	Number of Shares	Amount (Notes 1 and 3)
The Corporation	Samoa Hon Chuan	Investments accounted for using equity method	-	Parent - subsidiary	480,943,793	\$ 16,983,695	61,445,800	\$ 1,838,368	542,389,593	\$ 19,409,562
Samoa Hon Chuan	Hon Chuan Asia	Investments accounted for using equity method	-	Parent - subsidiary	236,798,360	8,586,008	16,365,120	466,075	253,163,480	9,503,691
						(US\$ 301,475)		(US\$ 16,365)		(US\$ 333,697)
Samoa Hon Chuan	Hon Chuan China	Investments accounted for using equity method	-	Parent - subsidiary	111,802,005	4,887,567	65,120,000	1,424,142	176,922,005	7,307,199
						(US\$ 171,614)		(US\$ 50,005)		(US\$ 256,573)
Hon Chuan Asia	Hon Chuan Indonesia	Investments accounted for using equity method	-	Parent - subsidiary	98,575,783	3,461,687	-	466,075	98,575,783	3,963,732
						(US\$ 121,548)		(US\$ 16,365)		(US\$ 139,176)

Note 1: Amount includes investment income/loss recognized under equity method and cumulative translation adjustment.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

Note 3: Significant intercompany accounts and transactions have been eliminated.

TABLE 5

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)

Company Name	Related Party	Relationship	Ending Balance (Note 2 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Samoa Hon Chuan	Hon Chuan China	(Note 2)	\$ 2,240,066 (US\$ 78,654)	-	\$ -	Depend on the operation	\$ -	\$ -
Hon Chuan China	Samoa Hon Hsing	(Note 2)	532,263 (US\$ 18,689)	-	-	Depend on the operation	264,864 (US\$ 9,300)	-
Jinan Hon Chuan	Luoch Hon Chuan	(Note 2)	105,764 (RMB 24,231)	-	-	Depend on the operation	-	-
Taiyuan Hon Chuan	Chuzhou Hon Chuan	(Note 2)	108,627 (RMB 24,887)	-	-	Depend on the operation	6,547 (RMB 1,500)	-
Taiyuan Hon Chuan	Luoch Hon Chuan	(Note 2)	109,993 (RMB 25,200)	-	-	Depend on the operation	-	-

Note 1: Including trade receivables, other receivables and receivable from related parties.

Note 2: Investees which the Corporation directly or indirectly holds more than 50% of the voting shares.

Note 3: Significant intercompany accounts and transactions have been eliminated.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details (Note 3)			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
1	Samoa Hon Chuan	Hon Chuan China	3	Receivable from related parties	\$ 2,233,402	Depend on working capital sufficiency	7
2	Hon Chuan China	Samoa Hon Hsing	3	Receivable from related parties	531,152	Depend on working capital sufficiency	2

Note 1: Relationship of counterparty; (1) parent company to subsidiary; (2) subsidiary to parent company; (3) subsidiary to subsidiary.

Note 2: The transaction with each subsidiary account for more than or equal to 0.5% of total sales or assets of the consolidated financial statements.

Note 3: Significant intercompany accounts and transactions have been eliminated.

TABLE 7

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 4)	Note
				December 31, 2020	December 31, 2019	Shares	%	Carrying Amount (Note 4)			
The Corporation	Samoa Hon Chuan	Samoa	Overseas reinvested holding company and international trade	\$ 16,592,280	\$ 14,753,912	542,389,593	100	\$ 19,409,562	\$ 939,190	\$ 939,190	Subsidiary
	Bon Trust	Taichung	Overseas reinvested holding company and international trade	9,990	9,990	999,000	99.90	21,723	11,499	11,487	Subsidiary
	Hon Chuan Cambodia	Cambodia	Manufacture and sale of PET bottles	76,585	46,427	1,000	100	66,429	(3,985)	(3,985)	Subsidiary
	Hon Chuan Philippines	Philippines	Manufacture and sale of plastic caps and PET bottles	91,125	-	15,000,000	100	83,647	(5,642)	(5,642)	Subsidiary
Samoa Hon Chuan	Hon Chuan China	Cayman Island	Overseas reinvested holding company	6,113,830	4,689,688	176,922,005	96.236	7,307,199	387,594	(Note 1)	Indirect subsidiary
	Hon Chuan Asia	Cayman Island	Overseas reinvested holding company and international trade	(US\$ 214,671)	(US\$ 164,666)	253,163,480	100	(US\$ 256,573)	(US\$ 13,117)	(Note 1)	Indirect subsidiary
				7,258,925	6,792,850			9,503,691	574,669		
	Hon Chuan Africa	Samoa	Overseas reinvested holding company and international trade	(US\$ 254,878)	(US\$ 238,513)	13,485,118	100	(US\$ 333,697)	(US\$ 19,448)	(Note 1)	Indirect subsidiary
	Paeon Company	Seychelles	Overseas reinvested holding company	384,053	371,493	-	23.08	401,796	10,667	(Note 1)	Investments accounted for using equity method
				(US\$ 13,485)	(US\$ 13,044)			(US\$ 14,108)	(US\$ 361)		
Hon Chuan China	Kai Gang	Hong Kong	Overseas reinvested holding company	26,714	26,714	-		15,543	(148)	(Note 1)	
				(US\$ 938)	(US\$ 938)			(US\$ 546)	(US\$ 5)		
	Samoa Hon Hsing	Samoa	Overseas reinvested holding company	4,057,261	4,342,061	1,201,561,003	100	5,392,716	279,799	(Note 1)	Indirect subsidiary
Hon Chuan Asia	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	(US\$ 142,460)	(US\$ 152,460)	137,000,000	100	(US\$ 189,351)	(US\$ 9,469)	(Note 1)	Indirect subsidiary
				3,076,011	3,588,651			4,292,449	196,146		
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps, labels, PET bottles and beverage filling OEM service	(US\$ 108,006)	(US\$ 126,006)	98,575,783	100	(US\$ 150,718)	(US\$ 6,638)	(Note 1)	Indirect subsidiary
				1,181,863	1,181,863			2,261,198	266,236		
	Hon Chuan Vietnam	Vietnam	Manufacture and sale of plastic caps and PET bottles	(US\$ 41,498)	(US\$ 41,498)	-	100	(US\$ 79,396)	(US\$ 9,010)	(Note 1)	Indirect subsidiary
				3,955,103	3,489,028			3,963,732	115,862		
	Hon Chuan Malaysia	Malaysia	Manufacture and sale of plastic caps and PET bottles	(US\$ 138,873)	(US\$ 122,508)	81,259,900	100	(US\$ 139,176)	(US\$ 3,921)	(Note 1)	Indirect subsidiary
				911,360	911,360			1,281,344	90,095		
	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps and PET bottles	(US\$ 32,000)	(US\$ 32,000)	69,854,780	100	(US\$ 44,991)	(US\$ 3,049)	(Note 1)	Indirect subsidiary
				743,300	743,300			693,516	64,771		
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of plastic caps, PET bottles and LDPE film	(US\$ 26,099)	(US\$ 26,099)	8,100,000	60	(US\$ 24,351)	(US\$ 2,192)	(Note 1)	Indirect subsidiary
				677,425	677,425			753,609	90,981		
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	(US\$ 23,786)	(US\$ 23,786)	-	100	(US\$ 26,461)	(US\$ 3,079)	(Note 1)	Indirect subsidiary
				411,963	254,042			163,105	(79,132)		
	Honly	Cambodia	Overseas reinvested holding company and international trade	(US\$ 14,465)	(US\$ 8,920)	1,002	49	(US\$ 5,727)	(US\$ 2,678)	(Note 1)	Indirect subsidiary
				51,378	51,378			52,574	2,482		
	Hon Hua	Samoa	Overseas reinvested holding company and international trade	(US\$ 1,804)	(US\$ 1,804)	-	100	(US\$ 1,846)	(US\$ 84)	(Note 1)	Indirect subsidiary
				230,688	230,688			262,415	47,574		
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of labels and PET bottles	(US\$ 8,100)	(US\$ 8,100)	12,666,225	65	(US\$ 9,214)	(US\$ 1,610)	(Note 1)	Indirect subsidiary
				121,037	121,037			169,580	21,548		
Samoa Honly	Honly Food	Cambodia	Manufacture and sale of plastic caps and PET bottles	(THB 126,662)	(THB 126,662)	17,966,248	100	(THB 177,461)	(THB 22,692)	(Note 1)	Indirect subsidiary
				511,700	429,678			162,678	(72,809)		
Hon Chuan Africa	Hon Shi Samoa	Samoa	Overseas reinvested holding company and international trade	(US\$ 17,967)	(US\$ 15,087)	3,138,790	60	(US\$ 5,712)	(US\$ 2,464)	(Note 1)	Indirect subsidiary
				371,493	371,493			386,758	15,425		
Hon Shi Samoa	Shimada	Mozambique	Manufacture and sales of plastic caps PET bottles and LDPE membrane	(US\$ 13,044)	(US\$ 13,044)	-	100	(US\$ 13,580)	(US\$ 522)	(Note 1)	Indirect subsidiary
				25,888	25,888			106,458	19,266		
	Hon Shi Mozambique	Mozambique	Manufacture and sales of plastic caps	(US\$ 909)	(US\$ 909)	-	100	(US\$ 3,738)	(US\$ 652)	(Note 1)	Indirect subsidiary
Hon Hua	Uni Tun	Myanmar	Bottled water filling	68,979	68,979	-	100	69,691	(3,812)	(Note 1)	Indirect subsidiary
				(US\$ 2,422)	(US\$ 2,422)	-	100	(US\$ 2,447)	(US\$ 129)	(Note 1)	Indirect subsidiary
	Uni Tun	Myanmar	Bottled water filling	3,930	3,930	-	100	70,716	49,347	(Note 1)	Indirect subsidiary
Hon Hua	Uni Tun	Myanmar	Bottled water filling	(US\$ 138)	(US\$ 138)	-	100	(US\$ 2,483)	(US\$ 1,670)	(Note 1)	Indirect subsidiary
				3,930	3,930			70,716	49,347		

Note 1: Not applicable.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

Note 3: Information on investments in mainland China, please see Table 8.

Note 4: Significant intercompany accounts and transactions have been eliminated except for Paeon Company..

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment (Note 1)	Investment Gain (Loss) (Notes 2 and 5)	Carrying Amount as of December 31, 2020 (Notes 2 and 5)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and PET film	\$ 583,555 (US\$ 20,490)	(Note 1)	\$ 548,525 (US\$ 19,260)	\$ -	\$ -	\$ 548,525 (US\$ 19,260)	\$ (25,058)	96.236%	\$ (23,935)	\$ 933,106	\$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	1,509,440 (US\$ 53,000)	(Note 1)	345,719 (US\$ 12,139)	-	-	345,719 (US\$ 12,139)	205,366	96.236%	196,619	2,266,423	-
Zhangzhou Hon Chuan	Manufacture and sale of PET bottles and beverage filling OEM service	854,400 (US\$ 30,000)	(Note 1)	182,329 (US\$ 6,402)	-	-	182,329 (US\$ 6,402)	857	96.236%	621	787,021	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,310,080 (US\$ 46,000)	(Note 1)	698,500 (US\$ 24,526)	-	-	698,500 (US\$ 24,526)	(58,123)	96.236%	(55,434)	709,374	-
Jinan Hon Chuan	Manufacture and sale of plastic caps and PET bottles and beverage filling OEM service	569,600 (US\$ 20,000)	(Note 1)	211,379 (US\$ 7,422)	-	-	211,379 (US\$ 7,422)	118,935	96.236%	113,734	1,424,477	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	270,560 (US\$ 9,500)	(Note 1)	279,930 (US\$ 9,829)	-	-	279,930 (US\$ 9,829)	65,481	96.236%	62,644	870,698	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	939,840 (US\$ 33,000)	(Note 1)	325,583 (US\$ 11,432)	-	-	325,583 (US\$ 11,432)	77,596	96.236%	73,902	1,637,766	-
Chuzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	284,800 (US\$ 10,000)	(Note 1)	13,215 (US\$ 464)	-	-	13,215 (US\$ 464)	55,079	96.236%	52,627	323,552	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps and PET bottles and beverage filling OEM service	427,200 (US\$ 15,000)	(Note 1)	22,100 (US\$ 776)	-	-	22,100 (US\$ 776)	20,477	96.236%	20,064	405,365	-
Luocho Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	341,760 (US\$ 12,000)	(Note 1)	-	-	-	-	21,305	96.236%	20,477	350,220	-
Anyang Hon Chuan	Manufacture and sale of plastic caps	34,919 (RMB 8,000)	(Note 1)	-	-	-	-	4,344	96.236%	4,173	44,702	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 2,675,468 (USD 93,942)	\$ 6,352,151 (USD 223,039)	(Note 3)

Note 1: The Corporation invested in China through third parties.

Note 2: The Corporation recognized its equity in the investee’s net income on the basis of financial statements audited by the CPA member firm of the Corporation’s auditors.

Note 3: The regulation refers to “Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China” issued by the Investment Commission of the Ministry of Economic Affairs.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

Note 5: Significant intercompany accounts and transactions have been eliminated.

6.5 A parent company only financial statement for the most recent fiscal year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Hon Chuan Enterprise Co., Ltd.

Opinion

We have audited the accompanying financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. (the "Corporation"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Corporation's financial statements for the year ended December 31, 2020 is described as follows :

Revenue recognition

The Corporation manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM services. Because revenue from the aforementioned main products is significant to both the Corporation's revenue and profit, we identified revenue recognition as a key audit matter. Refer to Note 4 to the financial statements for the accounting policies on revenue recognition.

The key audit procedures that we performed in respect of revenue recognition included the following:

1. We understood the internal controls over revenue recognition, evaluated the design of and tested the operating effectiveness of the key controls. We also sampled and inspected the original purchase orders and delivery orders to verify the reasonableness of the accrual of the sales revenue.
2. We verified the entries to the revenue subsidiary ledger by selecting sample entries from the main products and we checked the entries against the original order, delivery order, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and order.

Other Matter

We did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia Sdn. Bhd, Hon Chuan (Thailand) Co., Ltd. and Hon Chuan FD Packaging Co., Ltd., which are investees of the Corporation and are accounted for using the equity method for the year ended December 31, 2020 and 2019, but such financial statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the Corporation's financial statements for these investees, is based solely on the reports of other auditors. The total assets of the aforementioned investments accounted for using the equity method were NTD4,236,058 thousand and NTD4,200,618 thousand, representing 14.78% and 16.36%, respectively, of the Corporation's total assets as of December 31, 2020 and 2019. The comprehensive income of these investees was NTD421,102 thousand and NTD327,018 thousand, representing 32.52% and 27.98%, respectively, of the Corporation's comprehensive income for the years ended December 31, 2020 and 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Hsiao-Feng Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 23, 2021

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 380,172	1	\$ 159,785	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	16,640	-	42,452	-
Notes receivable from unrelated parties (Note 4)	143,800	1	139,879	1
Trade receivables from unrelated parties (Notes 4 and 9)	796,822	3	1,078,960	4
Trade receivables from related parties (Note 4)	13,245	-	14,404	-
Inventories (Notes 4 and 10)	802,404	3	817,251	3
Other current assets (Note 14)	<u>316,973</u>	<u>1</u>	<u>321,127</u>	<u>1</u>
Total current assets	<u>2,470,056</u>	<u>9</u>	<u>2,573,858</u>	<u>10</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	27,897	-	35,399	-
Long-term investments accounted for using the equity method (Notes 4 and 11)	19,581,361	68	17,038,301	66
Property, plant and equipment (Notes 4, 12 and 26)	5,605,344	20	4,822,395	19
Right-of-use assets (Notes 4 and 13)	353,289	1	275,378	1
Intangible assets (Note 4)	1,181	-	1,618	-
Deferred tax assets (Notes 4 and 21)	7,101	-	6,623	-
Prepayments for equipment	583,788	2	901,138	4
Other non-current assets (Note 14)	<u>32,092</u>	<u>-</u>	<u>26,594</u>	<u>-</u>
Total non-current assets	<u>26,192,053</u>	<u>91</u>	<u>23,107,446</u>	<u>90</u>
TOTAL	<u>\$ 28,662,109</u>	<u>100</u>	<u>\$ 25,681,304</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 1,414,376	5	\$ 2,099,464	8
Short-term bills payable (Note 15)	3,100,000	11	1,375,000	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,119	-	-	-
Notes payable to unrelated parties	637	-	653	-
Trade payables to unrelated parties	390,335	1	470,525	2
Trade payables to related parties (Note 26)	23,229	-	38,478	-
Current tax liabilities (Notes 4 and 21)	171,722	1	97,220	1
Lease liabilities - current (Notes 4 and 13)	14,623	-	12,630	-
Deferred revenue - current (Notes 4 and 23)	11,055	-	5,490	-
Current portion of long-term liabilities (Notes 4, 15 and 23)	46,980	-	1,000,000	4
Other current liabilities (Note 17)	<u>567,127</u>	<u>2</u>	<u>461,301</u>	<u>2</u>
Total current liabilities	<u>5,741,203</u>	<u>20</u>	<u>5,560,761</u>	<u>22</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	2,997,404	11	2,996,308	12
Long-term borrowings (Notes 4, 15 and 23)	6,409,706	22	3,836,724	15
Deferred tax liabilities (Notes 4 and 21)	24,283	-	25,212	-
Lease liabilities - non-current (Notes 4 and 13)	342,242	1	264,292	1
Deferred revenue - non-current (Notes 4 and 23)	52,014	-	30,639	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	13,996	-	21,140	-
Guarantee deposits received	<u>5,250</u>	<u>-</u>	<u>4,500</u>	<u>-</u>
Total non-current liabilities	<u>9,844,895</u>	<u>34</u>	<u>7,178,815</u>	<u>28</u>
Total liabilities	<u>15,586,098</u>	<u>54</u>	<u>12,739,576</u>	<u>50</u>
EQUITY				
Ordinary shares	2,877,859	10	2,928,789	12
Capital surplus	5,395,572	19	5,485,872	21
Retained earnings				
Legal reserve	1,670,003	6	1,531,899	6
Special reserve	1,955,038	7	1,745,301	7
Unappropriated earnings	3,488,714	12	3,204,905	12
Other equity	<u>(2,311,175)</u>	<u>(8)</u>	<u>(1,955,038)</u>	<u>(8)</u>
Total equity	<u>13,076,011</u>	<u>46</u>	<u>12,941,728</u>	<u>50</u>
TOTAL	<u>\$ 28,662,109</u>	<u>100</u>	<u>\$ 25,681,304</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2021)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	\$ 7,911,048	100	\$ 8,628,937	100
COST OF GOODS SOLD (Notes 4, 10, 20 and 26)	<u>5,939,530</u>	<u>75</u>	<u>6,665,319</u>	<u>78</u>
GROSS PROFIT	<u>1,971,518</u>	<u>25</u>	<u>1,963,618</u>	<u>22</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	568,879	7	569,659	6
General and administrative expenses	332,829	4	315,250	4
Research and development expenses	<u>80,355</u>	<u>1</u>	<u>74,644</u>	<u>1</u>
Total operating expenses	<u>982,063</u>	<u>12</u>	<u>959,553</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>989,455</u>	<u>13</u>	<u>1,004,065</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries (Note 4)	941,050	12	854,291	10
Finance costs (Notes 4, 20 and 23)	(124,698)	(2)	(95,159)	(1)
Interest income	362	-	1,451	-
Gain (loss) on valuation of financial assets and liabilities at FVTPL (Note 4)	2,270	-	(7,446)	-
Net foreign exchange gain (loss) (Note 4)	(12,059)	-	4,274	-
Other gains and losses (Notes 4, 20 and 29)	<u>12,234</u>	<u>-</u>	<u>(173,701)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>819,159</u>	<u>10</u>	<u>583,710</u>	<u>7</u>
PROFIT BEFORE INCOME TAX	1,808,614	23	1,587,775	18
INCOME TAX EXPENSE (Notes 4 and 21)	<u>153,202</u>	<u>2</u>	<u>206,739</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,655,412</u>	<u>21</u>	<u>1,381,036</u>	<u>16</u>

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (5,390)	-	\$ (3,037)	-
Unrealized (gain) loss on investments in equity instruments at fair value through other comprehensive income	(3,502)	-	752	-
Share of the other comprehensive income of associates accounted for using the equity method (Note 11)	4,013	-	2,090	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 21)	1,078	-	607	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(356,648)</u>	<u>(5)</u>	<u>(212,842)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(360,449)</u>	<u>(5)</u>	<u>(212,430)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,294,963</u>	<u>16</u>	<u>\$ 1,168,606</u>	<u>14</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 5.72</u>		<u>\$ 4.72</u>	
Diluted	<u>\$ 5.70</u>		<u>\$ 4.71</u>	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2021)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Share Capital (Note 19)	Capital Surplus (Notes 4 and 19)	Retained Earnings (Note 4, 18 and 19)			Other Equity (Note 4)		Treasury Shares (Note 19)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valiation Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	\$ 2,928,789	\$ 5,485,872	\$ 1,422,646	\$ 1,368,204	\$ 2,986,533	\$ (1,730,324)	\$ (14,977)	\$ -	\$ 12,446,743
Appropriation of 2018 earnings									
Legal reserve	-	-	109,253	-	(109,253)	-	-	-	-
Special reserve	-	-	-	377,097	(377,097)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(673,621)	-	-	-	(673,621)
Net profit for the year ended December 31, 2019	-	-	-	-	1,381,036	-	-	-	1,381,036
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,430)	(212,842)	2,842	-	(212,430)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,378,606	(212,842)	2,842	-	1,168,606
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(263)	-	263	-	-
BALANCE AT DECEMBER 31, 2019	2,928,789	5,485,872	1,531,899	1,745,301	3,204,905	(1,943,166)	(11,872)	-	12,941,728
Appropriation of 2019 earnings									
Legal reserve	-	-	138,104	-	(138,104)	-	-	-	-
Special reserve	-	-	-	209,737	(209,737)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(878,637)	-	-	-	(878,637)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	(4,627)	-	-	-	-	-	-	(4,627)
Donations from shareholders	-	7	-	-	-	-	-	-	7
Net profit for the year ended December 31, 2020	-	-	-	-	1,655,412	-	-	-	1,655,412
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	(4,312)	(356,648)	511	-	(360,449)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,651,100	(356,648)	511	-	1,294,963
Buy-back of treasury shares	-	-	-	-	-	-	-	(277,423)	(277,423)
Cancellation of treasury shares	(50,930)	(85,680)	-	-	(140,813)	-	-	277,423	-
BALANCE AT DECEMBER 31, 2020	\$ 2,877,859	\$ 5,395,572	\$ 1,670,003	\$ 1,955,038	\$ 3,488,714	\$ (2,299,814)	\$ (11,361)	\$ -	\$ 13,076,011

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2021)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,808,614	\$ 1,587,775
Adjustments for:		
Depreciation and amortization expenses	632,346	605,832
Expected credit loss recognized on trade receivables	6,596	-
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	2,584	2,783
Finance costs	124,698	95,159
Interest income	(362)	(1,451)
Share of gain of subsidiaries accounted for using the equity method	(941,050)	(854,291)
Loss (gain) on disposal of property, plant and equipment	745	(927)
Unrealized net loss on foreign currency exchange	3,903	1,449
Reversal of deferred revenue	(8,197)	(1,002)
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	24,347	23,053
Notes receivable	(3,921)	1,346
Trade receivables	282,668	(84,176)
Inventories	14,847	36,134
Other current assets	(2,404)	117,412
Notes payable	(16)	(15)
Trade payables	(95,790)	86,877
Other current liabilities	28,688	53,259
Net defined benefit liabilities	(12,534)	(10,485)
Deferred revenue	5,250	-
Cash generated from operations	1,871,012	1,658,732
Interest received	325	1,485
Interest paid	(110,674)	(96,084)
Income tax paid	(79,029)	(255,582)
Net cash generated from operating activities	<u>1,681,634</u>	<u>1,308,551</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	-	129
Return of capital from financial assets at fair value through other comprehensive income	4,000	4,000
Payments for property, plant and equipment	(528,462)	(189,370)
Proceeds from disposal of property, plant and equipment	1,508	987
Increase (decrease) in refundable deposits	(3,303)	2,283
Payments for intangible assets	-	(1,371)
Increase in prepayments for equipment	(479,191)	(826,709)

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
Dividend received from subsidiaries	\$ 379	\$ -
Other investing activities	<u>(4,188)</u>	<u>(503)</u>
Net cash used in investing activities	<u>(1,009,257)</u>	<u>(1,010,554)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(685,088)	458,464
Proceeds from short-term bills payable	1,725,000	1,375,000
Proceeds from long-term borrowings	2,608,546	2,647,502
Repayments of long-term borrowings	(970,000)	(1,550,000)
Proceeds from guarantee deposits received	750	2,500
Repayment of the principal portion of lease liabilities	(13,162)	(12,486)
Dividends paid to owners of the Corporation	(878,637)	(673,621)
Payments for transaction costs attributable to the buy-back of ordinary shares	(277,423)	-
Acquisition of additional interests in subsidiaries	(1,959,651)	(2,678,687)
Unclaimed dividend after expiry date	<u>7</u>	<u>-</u>
Net cash used in financing activities	<u>(449,658)</u>	<u>(431,328)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,332)</u>	<u>(1,481)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	220,387	(134,812)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>159,785</u>	<u>294,597</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$ 380,172</u></u>	<u><u>\$ 159,785</u></u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2021)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Hon Chuan Enterprise Co., Ltd. (the “Corporation”) was incorporated in 1969. It manufactures and sells various packaging materials for the food and beverage industries (such as aluminum closures, plastic caps, metal caps, labels, polyethylene terephthalate (PET) bottles, and beverage filling original equipment manufacturer (OEM) and automatic sealer machines.

The Corporation became a public company in August 1993 under the approval of the Securities and Futures Bureau (SFB) of the Financial Supervisory Commission. The Corporation’s shares have been listed on the Taiwan Stock Exchange since March 2, 2001.

The financial statements of the Corporation are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 23, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the financial statements, the assets and liabilities of the Corporation's foreign operations (including subsidiaries, associates, joint ventures or branches operating in other countries or those that use currencies that are different from the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period; and income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to interests and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses, if any.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Corporation had directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, notes receivable, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is a contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Corporation recognizes allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The Corporation recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss._

2) Equity instruments

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, any gains or losses on such financial liabilities are recognized in other gains or losses; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods and accounts receivable are recognized when the goods are delivered to the customer's designated location or when the goods are shipped, because it is the time when significant risks and rewards of ownership of the goods have been transferred to the customer.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

l. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases which are accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost), and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Corporation's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference

will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand and petty cash	\$ 295	\$ 1,296
Checking accounts and demand deposits	228,933	158,489
Cash equivalent		
Time deposits with original maturities of 3 months or less	<u>150,944</u>	<u>-</u>
	<u>\$ 380,172</u>	<u>\$ 159,785</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank balance	0.001-0.05	0-0.38
Time deposits with original maturities of 3 months or less	0.3	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
Financial Assets at Fair Value through Profit or Loss - Current	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Domestic convertible bonds	\$ 16,640	\$ 29,775
Domestic listed shares	-	12,652
Derivative financial assets		
Foreign exchange forward contracts	-	25
	<u>\$ 16,640</u>	<u>\$ 42,452</u>

Financial Liabilities at Fair Value through Profit or Loss - Current

Financial liabilities mandatorily classified as at FVTPL

Derivative financial liabilities		
Foreign exchange forward contracts	<u>\$ 1,119</u>	<u>\$ -</u>

Outstanding foreign exchange forward contracts were as follows:

	Currency	Maturity Date	Notional Amount
<u>December 31, 2020</u>			
Buy	EUR/USD	2021.06.15	EUR1,691/USD2,060
	USD/NTD	2021.01.04	USD820/TWD23,051
<u>December 31, 2019</u>			
Buy	EUR/NTD	2020.06.15	ERU378/NTD12,822

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of effective hedging instruments, thus hedge accounting was not used.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2020	2019
<u>Domestic investments</u>		
Unlisted shares	\$ 19,252	\$ 26,754
<u>Foreign investments</u>		
Unlisted shares	<u>8,645</u>	<u>8,645</u>
	<u>\$ 27,897</u>	<u>\$ 35,399</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

9. TRADE RECEIVABLES - NET

	December 31	
	2020	2019
Trade receivables from unrelated parties	\$ 797,544	\$ 1,079,682
Less: Allowance for impairment loss	<u>(722)</u>	<u>(722)</u>
	<u>\$ 796,822</u>	<u>\$ 1,078,960</u>

The average credit period of sales of goods is 30 to 90 days. No interest is charged on trade receivables. The Corporation uses other publicly available financial information or its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Corporation has no notes receivable that are past due. The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	181 to 360 Days Past Due	Over 1 Year Past Due	Total
Expected credit loss rate	0.001%	0.5%-2%	3%-5%	10%	50%-100%	
<u>December 31, 2020</u>						
Gross carrying amount	\$ 789,958	\$ 6,742	\$ -	\$ 537	\$ 307	\$ 797,544
Loss allowance (Lifetime ECLs)	<u>(439)</u>	<u>(38)</u>	<u>-</u>	<u>(54)</u>	<u>(191)</u>	<u>(722)</u>
Amortized cost	<u>\$ 789,519</u>	<u>\$ 6,704</u>	<u>\$ -</u>	<u>\$ 483</u>	<u>\$ 116</u>	<u>\$ 796,822</u>
<u>December 31, 2019</u>						
Gross carrying amount	\$ 1,068,059	\$ 10,811	\$ 737	\$ -	\$ 75	\$ 1,079,682
Loss allowance (Lifetime ECLs)	<u>(545)</u>	<u>(71)</u>	<u>(31)</u>	<u>-</u>	<u>(75)</u>	<u>(722)</u>
Amortized cost	<u>\$ 1,067,514</u>	<u>\$ 10,740</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,078,960</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1 and December 31	<u>\$ 722</u>	<u>\$ 722</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Finished goods	\$ 355,333	\$ 360,509
Work in progress	783	14,255
Raw materials	438,789	427,346
Inventory in transit	<u>7,499</u>	<u>15,141</u>
	<u>\$ 802,404</u>	<u>\$ 817,251</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$5,939,530 thousand and \$6,665,319 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries	December 31	
	2020	2019
<u>Unlisted company</u>		
Hon Chuan Holding Limited (“Samoa Hon Chuan”)	\$ 19,409,562	\$ 16,983,695
Bon Trust International Trade Co., Ltd. (“Bon Trust”)	21,723	10,615
Hon Chuan (Cambodia) Co., Ltd. (“Hon Chuan Cambodia”)	66,429	43,991
Hon Chuan (Philippines) Co., Ltd. (“Hon Chuan Philippines”)	<u>83,647</u>	<u>-</u>
	<u>\$ 19,581,361</u>	<u>\$ 17,038,301</u>
Proportion of Ownership and Voting Rights (%)		
Name of Subsidiary	December 31	
	2020	2019
Samoa Hon Chuan	100	100
Bon Trust	99.9	99.9
Hon Chuan Cambodia	100	100
Hon Chuan Philippines	100	-

These investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of these investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries’ financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>For the Year Ended December 31, 2020</u>					
Cost					
Freehold land	\$ 467,045	\$ -	\$ -	\$ -	\$ 467,045
Buildings	2,848,194	47,489	-	36,282	2,931,965
Equipment	4,947,650	184,724	(42,517)	455,226	5,545,083
Other equipment	3,079,972	298,850	(69,983)	305,033	3,613,872
Property under construction	19,238	72,320	-	-	91,558
	<u>11,362,099</u>	<u>\$ 603,383</u>	<u>\$ (112,500)</u>	<u>\$ 796,541</u>	<u>12,649,523</u>
Accumulated depreciation					
Buildings	617,073	\$ 79,931	\$ -	\$ -	697,004
Equipment	3,821,422	293,368	(41,593)	-	4,073,197
Other equipment	2,101,209	241,423	(68,654)	-	2,273,978
	<u>6,539,704</u>	<u>\$ 614,722</u>	<u>\$ (110,247)</u>	<u>\$ -</u>	<u>7,044,179</u>
	<u>\$ 4,822,395</u>				<u>\$ 5,605,344</u>

	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>For the Year Ended December 31, 2019</u>					
Cost					
Freehold land	\$ 467,045	\$ -	\$ -	\$ -	\$ 467,045
Buildings	2,231,086	5,305	-	611,803	2,848,194
Equipment	4,816,967	59,195	(34,519)	106,007	4,947,650
Other equipment	2,914,900	101,155	(5,220)	69,137	3,079,972
Property under construction	<u>652,256</u>	<u>19,238</u>	<u>-</u>	<u>(652,256)</u>	<u>19,238</u>
	<u>11,082,254</u>	<u>\$ 184,893</u>	<u>\$ (39,739)</u>	<u>\$ 134,691</u>	<u>11,362,099</u>
Accumulated depreciation					
Buildings	542,957	\$ 74,116	\$ -	\$ -	617,073
Equipment	3,560,612	295,275	(34,465)	-	3,821,422
Other equipment	<u>1,885,906</u>	<u>220,517</u>	<u>(5,214)</u>	<u>-</u>	<u>2,101,209</u>
	<u>5,989,475</u>	<u>\$ 589,908</u>	<u>\$ (39,679)</u>	<u>\$ -</u>	<u>6,539,704</u>
	<u>\$ 5,092,779</u>				<u>\$ 4,822,395</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	20-60 years
Electrical power equipment	10-50 years
Other	10-50 years
Machinery equipment	3-22 years
Other equipment	2-25 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Land	<u>\$ 353,289</u>	<u>\$ 275,378</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 93,105</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	<u>\$ 15,194</u>	<u>\$ 14,030</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	\$ 14,623	\$ 12,630
Non-current	\$ 342,242	\$ 264,292

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.18%	1.18%

c. Material leasing activities and terms

The Corporation leases land for the use of plants, office spaces and warehouses with lease terms of 10 years from the Export Processing Zone Administration, MOEA of the ROC. Based on the lease, the variable lease payments are dependent on the Taiwan consumer price index of the year before the lease. The Corporation does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease term. In addition, the Corporation is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 70,447	\$ 46,104
Total cash outflow for leases	\$ (87,338)	\$ (61,923)

The Corporation's leases of certain buildings, office equipment and transportation equipment which qualify as short-term leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. OTHER ASSETS

	December 31	
	2020	2019
Office supplies	\$ 271,257	\$ 241,851
Refundable deposits	28,099	24,796
Prepaid expenses and prepayment for purchases	27,891	57,791
Other receivables	17,825	11,733
Others	3,993	11,550
	<u>\$ 349,065</u>	<u>\$ 347,721</u>
Current	\$ 316,973	\$ 321,127
Non-current	32,092	26,594
	<u>\$ 349,065</u>	<u>\$ 347,721</u>

The movements of the loss allowance of other receivables were as follows:

	For the Year Ended December 31, 2020
Balance at January 1	\$ -
Add: Impairment loss	<u>6,596</u>
Balance at December 31	<u><u>\$ 6,596</u></u>

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 1,390,000	\$ 2,080,000
Loans for purchasing raw materials	<u>24,376</u>	<u>19,464</u>
	<u><u>\$ 1,414,376</u></u>	<u><u>\$ 2,099,464</u></u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	0.72-0.75	0.79-0.82
Loans for purchasing raw materials	1.06	0.95-1.33

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	<u><u>\$ 3,100,000</u></u>	<u><u>\$ 1,375,000</u></u>
<u>Rate of interest per annum (%)</u>		
Commercial paper	0.56-0.60	0.74-0.82

c. Long-term borrowings

	December 31	
	2020	2019
Line of credit borrowings - March 2022 to July 2026	\$ 6,511,048	\$ 4,872,502
Less: Current portion	(46,980)	(1,000,000)
Discounts on government grants (Note 23)	<u>(54,362)</u>	<u>(35,778)</u>
Long-term borrowings	<u>\$ 6,409,706</u>	<u>\$ 3,836,724</u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	0.10-1.30	0.10-1.40

16. BONDS PAYABLE

	December 31	
	2020	2019
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000
Less: Bonds discount	<u>(2,596)</u>	<u>(3,692)</u>
	<u>\$ 2,997,404</u>	<u>\$ 2,996,308</u>

On April 27, 2018, the Corporation issued five-year unsecured domestic bonds for a total of \$3,000,000 thousand with a coupon rate of 1.07% and an effective interest rate of 1.1079%. The principal is repayable in cash upon maturity (April 27, 2023).

17. OTHER LIABILITIES - OTHERS

	December 31	
	2020	2019
Payables for salaries	\$ 172,986	\$ 155,969
Payables for purchases of equipment	83,596	8,081
Payables for bonus to employees	33,066	28,951
Payables for annual leave	25,305	23,531
Payables for remuneration of directors	14,586	12,429
Others	<u>237,588</u>	<u>232,340</u>
	<u>\$ 567,127</u>	<u>\$ 461,301</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans are as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 138,480	\$ 139,598
Fair value of plan assets	<u>(124,484)</u>	<u>(118,458)</u>
Net defined benefit liabilities	<u>\$ 13,996</u>	<u>\$ 21,140</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	<u>\$ 137,732</u>	<u>\$ (109,144)</u>	<u>\$ 28,588</u>
Service cost			
Current service cost	668	-	668
Net interest expense (income)	<u>1,550</u>	<u>(1,288)</u>	<u>262</u>
Recognized in profit or loss	<u>2,218</u>	<u>(1,288)</u>	<u>930</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,965)	(3,965)
Actuarial loss - changes in demographic assumptions	182	-	182
Actuarial loss - changes in financial assumptions	912	-	912
Actuarial loss - experience adjustments	<u>5908</u>	<u>-</u>	<u>5,908</u>
Recognized in other comprehensive income	<u>7,002</u>	<u>(3,965)</u>	<u>3,037</u>
Contributions from the employer	-	(11,415)	(11,415)
Benefits paid	<u>(7,354)</u>	<u>7,354</u>	<u>-</u>
Balance at December 31, 2019	<u>139,598</u>	<u>(118,458)</u>	<u>21,140</u>
Service cost			
Current service cost	617	-	617
Net interest expense (income)	<u>1,117</u>	<u>(988)</u>	<u>129</u>
Recognized in profit or loss	<u>1,734</u>	<u>(988)</u>	<u>746</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (3,715)	\$ (3,715)
Actuarial loss - changes in demographic assumptions	871	-	871
Actuarial loss - changes in financial assumptions	4,355	-	4,355
Actuarial loss - experience adjustments	<u>3,879</u>	<u>-</u>	<u>3,879</u>
Recognized in other comprehensive income	<u>9,105</u>	<u>(3,715)</u>	<u>5,390</u>
Contributions from the employer	-	(13,280)	(13,280)
Benefits paid	<u>(11,957)</u>	<u>11,957</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 138,480</u>	<u>\$ (124,484)</u>	<u>\$ 13,996</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2020	2019
Discount rate(s)	0.350%	0.800%
Expected rate(s) of salary increase	1.125%	1.125%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate		
0.25% increase	\$ (2,471)	\$ (2,559)
0.25% decrease	\$ 2,547	\$ 2,639
Expected rate of salary increase/decrease		
0.25% increase	\$ 2,439	\$ 2,536
0.25% decrease	\$ (2,379)	\$ (2,472)

The above sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	\$ 11,843	\$ 9,938
Average duration of the defined benefit obligation	9 years	9 years

19. EQUITY

a. Share capital

	December 31	
	2020	2019
Shares authorized (in thousands of shares)	350,000	350,000
Shares authorized	\$ 3,500,000	\$ 3,500,000
Shares issued and fully paid (in thousands of shares)	287,786	292,879
Shares issued	\$ 2,877,859	\$ 2,928,789

b. Capital surplus

	December 31	
	2020	2019
Arising from issuance of common shares (1)	\$ 4,841,447	\$ 4,927,127
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (1)	353,848	358,475
Other (2)	200,277	200,270
	<u>\$ 5,395,572</u>	<u>\$ 5,485,872</u>

- 1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's paid-in capital and to once a year).
 - 2) Such capital surplus may be used to offset a deficit.
- c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Corporation made a profit after tax in a fiscal year, the profit shall be first utilized for offsetting cumulative losses, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals the Corporation's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, please refer to compensation of employees and remuneration of directors in Note 20-d.

The dividends and bonuses, capital surplus, or legal reserve can be distributed in the whole or in part by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholder's meeting.

The dividends policy of the Corporation shall be made according to the Corporation's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Corporation may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings are less than 10% of capital, the Corporation may decide not to distribute dividend.

The shareholders' dividends shall be distributed in the form of cash dividends or share dividends. More than (or equal to) 50% of the total amount of shareholders' dividends shall be in the form of cash dividends.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2019 and 2018, which were approved in the shareholders' meetings in June 2020 and 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 138,104	\$ 109,253		
Special reserve	209,737	377,097		
Cash dividends	878,637	673,621	\$3.05	\$2.30

The appropriation of earnings for 2020, which were proposed/resolved by the Corporation's board of directors on March 23, 2021, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
<u>Proposed</u>		
Legal reserve	\$ 151,030	
Special reserve	356,137	
<u>Resolved</u>		
Cash dividends	\$ 1,036,029	\$ 3.6

The appropriation of earnings as cash dividends as listed above had been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 18, 2021.

d. Special reserves

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated to the special reserve an amount of \$352,668 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

e. Treasury shares

Purpose of Buy-back	Number of shares at January 1,2020	Increase During the Year	Decrease During the Year	Number of shares at December 31,2020
<u>For the Year Ended December 31, 2020</u>				
Shares cancelled	_____ -	_____ <u>5,093,000</u>	_____ <u>(5,093,000)</u>	_____ -

In order to maintain the Corporation's creditworthiness and protect shareholders' interests, the Corporation's board of directors resolved in March 2020 to buy back and cancel 5,093 thousand treasury shares in accordance with Article 28-2 of the Securities and Exchange Act. As of December 31, 2020, the shares had been fully repurchased and the cost of the repurchase was \$277,423 thousand. On June 30, 2020, the treasury shares were cancelled and the registration of the change was completed in July 2020.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

20. NET PROFIT FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations include the following items:

a. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ (745)	\$ 927
Miscellaneous income	26,516	30,790
Other losses	<u>(13,537)</u>	<u>(205,418)</u>
	<u>\$ 12,234</u>	<u>\$ (173,701)</u>

b. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank	\$ 76,470	\$ 57,288
Interest on convertible bonds	33,196	33,184
Interest on lease liabilities	3,729	3,333
Other interest expenses (Note 23)	<u>11,303</u>	<u>1,354</u>
	<u>\$ 124,698</u>	<u>\$ 95,159</u>

c. Employee benefits expense, depreciation and amortization expenses

	For the Year Ended December 31					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll expense	\$ 692,547	\$ 287,439	\$ 979,986	\$ 631,264	\$ 260,904	\$ 892,168
Labor and health insurance expense	59,361	22,003	81,364	54,881	20,888	75,769
Pension expense	24,346	9,633	33,979	22,505	9,227	31,732
Other employee benefits expense	1,946	11,539	13,485	2,870	12,453	15,323
Remuneration of directors	-	14,586	14,586	-	12,429	12,429
Depreciation expenses	548,492	81,424	629,916	523,661	80,277	603,938
Amortization expenses	-	2,430	2,430	-	1,894	1,894

For the years ended December 31, 2020 and 2019, the average number of employees of the Corporation was 1,533 and 1,444, respectively, which included 5 and 6 non-employee directors, respectively. The calculation basis is consistent with employee benefits expense.

For the years ended December 31, 2020 and 2019, the average employee benefits expense was \$726 and \$706 thousand, respectively. For the years ended December 31, 2020 and 2019, the average employee salary was \$641 and \$620 thousand, respectively. The average employee salary increased by 3% year-on-year.

The remuneration policies are based on the Corporation's operational conditions, the industry standard, and the organizational position, and may be adjusted based on the overall economy, industrial environment and government regulations. Compensation of individual employees is determined based on his/her role, experience, professional abilities, and individual performance. A reasonable and fair policy

for performance appraisal is also set up as the basis for the promotions, rotations, compensation adjustments and year-end bonuses. In addition, the Corporation allocates a certain percentage of the total amount of performance bonus payable annually based on the Corporation's profit. After the amount is being reviewed by the remuneration committee and the audit committee and approved by the board of directors, employees that meet certain performance standards will be paid according to their assessed performance. The remuneration of directors is made in accordance with the provisions of the Corporation. After the end of the year, the remuneration of directors is calculated in accordance with its regulations, and reported to the shareholders in their meeting after being reviewed by the remuneration committee and approved by the board of directors.

d. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Corporation's board of directors on March 23, 2021 and March 23, 2020, respectively, were as follows:

	For the Year Ended December 31			
	2020		2019	
	%	Cash	%	Cash
Compensation of employees	1.78%	\$ 33,066	1.78%	\$ 28,951
Remuneration of directors	0.79%	14,586	0.76%	12,429

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 171,726	\$ 185,351
Adjustments for prior year	(18,195)	20,439
Deferred tax		
In respect of the current year	(329)	949
Income tax expense recognized in profit or loss	<u>\$ 153,202</u>	<u>\$ 206,739</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	\$ 361,723	\$ 317,555
Nondeductible expenses in determining taxable income	25	40,683
Deductible items in determining taxable income	(209)	(336)
Unrecognized deductible temporary differences	(185,913)	(170,733)
Tax-exempt income	(4,229)	(869)
Adjustments for prior years' tax	<u>(18,195)</u>	<u>20,439</u>
Income tax expense recognized in profit or loss	<u>\$ 153,202</u>	<u>\$ 206,739</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Corporation only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

In addition, in accordance with Rule No. 10904558730 issued by the MOF, the Corporation has deducted the amount of dividends distributed in 2020 attributable to the increase in retained earnings at the beginning of 2018 as a result of initial adoption of IFRS 9 and IFRS 15 when calculating the tax on unappropriated earnings for 2018.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
In respect of current period		
- Remeasurement of defined benefit plans	<u>\$ 1,078</u>	<u>\$ 607</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2020			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit obligation	\$ 4,228	\$ (2,507)	\$ 1,078	\$ 2,799
Others	<u>2,395</u>	<u>1,907</u>	<u>-</u>	<u>4,302</u>
	<u>\$ 6,623</u>	<u>\$ (600)</u>	<u>\$ 1,078</u>	<u>\$ 7,101</u>

For the Year Ended December 31, 2020				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Others	<u>929</u>	<u>(929)</u>	<u>-</u>	<u>-</u>
	<u>\$ 25,212</u>	<u>\$ (929)</u>	<u>\$ -</u>	<u>\$ 24,283</u>

For the Year Ended December 31, 2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit obligation	\$ 5,718	\$ (2,097)	\$ 607	\$ 4,228
Others	<u>2,094</u>	<u>301</u>	<u>-</u>	<u>2,395</u>
	<u>\$ 7,812</u>	<u>\$ (1,796)</u>	<u>\$ 607</u>	<u>\$ 6,623</u>

<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Others	<u>1,776</u>	<u>(847)</u>	<u>-</u>	<u>929</u>
	<u>\$ 26,059</u>	<u>\$ (847)</u>	<u>\$ -</u>	<u>\$ 25,212</u>

- d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$559,930 thousand and \$445,469 thousand, respectively.

- e. Income tax assessments

Income tax returns of the Corporation through 2018 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2020</u>			
Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 1,655,412	289,585	<u>\$ 5.72</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>696</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 1,655,412</u>	<u>290,281</u>	<u>\$ 5.70</u>
<u>For the year ended December 31, 2019</u>			
Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 1,381,036	292,879	<u>\$ 4.72</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>577</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 1,381,036</u>	<u>293,456</u>	<u>\$ 4.71</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. GOVERNMENT GRANTS

Except as disclosed in other notes, the following government grants were received by the Corporation:

As of December 31, 2020, according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” made by the government, the Corporation borrowed \$1,929,661 thousand from the National Development Fund with an preferential interest rate for its operation and purchase of equipment. The loan is expected to be settled within 5 to 7 years in equal installments. Using the prevailing market interest rates of 0.85%-1.60% for an equivalent loan, the fair value of the loan was estimated at \$1,862,643 thousand on initial recognition. The difference of \$67,018 thousand between the proceeds and the fair value of the loan is viewed as a government grants derived from an interest-free loan and is recognized as deferred revenue, which will be subsequently transferred to profit or loss over time. For the year ended December 31, 2020, the amount recognized in other revenue was \$8,047 thousand, and interest expense recognized on this loan was \$11,303 thousand.

If the Corporation fails to comply the loan regulations, and the National Development Fund terminates the grants, the Corporation will pay the loan with the original agreed interest rate plus the annual interest rate.

24. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	\$ 16,640	\$ -	\$ -	\$ 16,640
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign exchange forward contracts	\$ -	\$ 1,119	\$ -	\$ 1,119
Financial assets at fair value through other comprehensive income				
Equity investments				
Unlisted shares	\$ -	\$ -	\$ 27,897	\$ 27,897
<u>December 31, 2019</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Domestic convertible bonds	\$ 29,775	\$ -	\$ -	\$ 29,775
Shares of publicly quoted entity	12,652	-	-	12,652
Foreign exchange forward contracts	-	25	-	25
	\$ 42,427	\$ 25	\$ -	\$ 42,452
Financial assets at fair value through other comprehensive income				
Equity investments				
Unlisted shares	\$ -	\$ -	\$ 35,399	\$ 35,399

There were no transfers between Level 1 and 2 in the current and prior years.

2) Valuation techniques and assumptions applied for fair value measurement

- a) The fair value of financial instruments with standard conditions and traded in active market, including listed shares and emerging market shares, is decided based on the market price.
- b) The fair values of foreign exchange forward contracts are determined using the discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- c) The unlisted equity investments at fair value through other comprehensive income are all measured at Level 3. The fair values of unlisted equity investments are determined using price-to-book ratio approach. In this approach, according to the financial information of the companies, both net book value per share calculated and share price estimated by comparing share price or P/E ratio with similar companies were used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

3) Reconciliation of Level 3 fair value measurements of financial instruments

Financial assets at fair value through other comprehensive income - equity instruments

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 35,399	\$ 38,776
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(3,502)	752
Proceeds from sale of equity instruments at fair value through other comprehensive income	-	(129)
Return of capital due to capital reduction of invested companies	<u>(4,000)</u>	<u>(4,000)</u>
Balance at December 31	<u>\$ 27,897</u>	<u>\$ 35,399</u>

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 16,640	\$ 42,452
Financial assets at amortized cost		
Cash and cash equivalents	380,172	159,785
Notes receivable and trade receivables	953,867	1,233,243
Financial assets at fair value through other comprehensive income - equity investments	27,897	35,399
Other receivables	17,825	11,733
Refundable deposits	28,099	24,796

	December 31	
	2020	2019
<u>Financial liabilities</u>		
Mandatorily classified as at FVTPL	\$ 1,119	\$ -
Amortized cost		
Short-term borrowings	1,414,376	2,099,464
Short-term bills payable	3,100,000	1,375,000
Notes payable and trade payables	414,201	509,656
Bonds payable	2,997,404	2,996,308
Long-term borrowings (including current portion)	6,456,686	4,836,724
Other payables	321,184	240,421
Guarantee deposits received	5,250	4,500

c. Financial risk management objectives and policies

The Corporation's major financial instruments include equity and debt investments, trade receivables, trade payables, borrowings and liability component of preference shares. The Corporation's corporate treasury function identifies and assesses the risks and manages market uncertainties with the objective of reducing the potentially adverse effects that market fluctuations may have on its financial performance. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Corporation's corporate treasury function evaluates, on a quarterly basis, whether the use of financial derivatives is governed by the Corporation's policies that were approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Corporation entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. There has been no change to the Corporation's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk

The Corporation has foreign currency denominated sales and purchases, which expose the Corporation to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts. The use of financial derivatives would reduce the influence of foreign exchange risk but could not completely eliminate the risk.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Corporation is mainly exposed to the USD.

The Corporation's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The sensitivity analysis included external borrowings as well as loans to foreign operations within the Corporation where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. Assuming a 1% strengthening in the levels of the NTD against the USD, the pre-tax profit for the years ended December 31, 2020 and 2019 would have changed by decreasing \$2,378 thousand and increasing \$152 thousand, respectively.

Interest rate risk

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial liabilities	\$ 6,454,269	\$ 4,648,230
Cash flow interest rate risk		
Financial liabilities	7,871,062	6,936,188

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.125% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been raised by 0.125% higher and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease by \$9,839 thousand and \$8,670 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. At the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Corporation, is arising from:

- The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- The amount of contingent liabilities arising from the provision of financial guarantees.

In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for irrecoverable amounts. In this regard, the management believes the Corporation's credit risk has been significantly reduced.

Trade receivables consist of a large number of customers, which spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade receivables. The Corporation's concentrations of credit risk regarding top 5 customers were 50% and 48%, respectively, in total trade receivables as of December 31, 2020 and 2019. No other concentration of credit risk was observed.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Corporation had available unutilized short-term bank loan facilities of \$9,302,648 thousand and \$7,627,391 thousand, respectively.

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2020</u>			
Non-derivative financial liabilities			
Borrowings	\$ 1,461,356	\$ 6,048,367	\$ 361,339
Short-term bills payable	3,100,000	-	-
Non-interest bearing liabilities	414,201	-	-
Bonds payable	-	2,997,404	-
Lease liabilities	<u>18,735</u>	<u>74,151</u>	<u>329,838</u>
	<u>\$ 4,994,292</u>	<u>\$ 9,119,922</u>	<u>\$ 691,177</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 1,119</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>			
Non-derivative financial liabilities			
Borrowings	\$ 3,099,464	\$ 3,634,775	\$ 237,727
Short-term bills payable	1,375,000	-	-
Non-interest bearing liabilities	509,656	-	-
Bonds payable	-	2,996,308	-
Lease liabilities	<u>15,819</u>	<u>62,883</u>	<u>244,667</u>
	<u>\$ 4,999,939</u>	<u>\$ 6,693,966</u>	<u>\$ 482,394</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
<u>December 31, 2020</u>						
Lease liabilities	\$ 18,735	\$ 74,151	\$ 75,297	\$ 57,864	\$ 56,384	\$ 140,293
<u>December 31, 2019</u>						
Lease liabilities	\$ 15,819	\$ 62,883	\$ 64,155	\$ 46,912	\$ 41,805	\$ 91,795

26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed in the other notes, details of transactions between the Corporation and its related parties were disclosed as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Bon Trust International Trade Co., Ltd. (“Bon Trust”)	Subsidiary
Hon Chuan (Cambodia) Co., Ltd. (“Hon Chuan Cambodia”)	Subsidiary
Hon Chuan Holding Limited (“Samoa Hon Chuan”)	Subsidiary
Hon Chuan (Philippines) Co., Ltd. (“Hon Chuan Philippines”)	Subsidiary
Hon Chuan (China) Holdings Co., Ltd. (“Hon Chuan China”)	Subsidiary
HC (Asia) Holdings Co., Ltd. (“Hon Chuan Asia”)	Subsidiary
Kai Gang Industries Limited (“Kai Gang”)	Subsidiary
Hon Hsing (Samoa) Holding Limited (“Samoa Hon Hsing”)	Subsidiary
Hon Chuan (Thailand) Co., Ltd. (“Hon Chuan Thailand”)	Subsidiary
PT Hon Chuan Indonesia (“Hon Chuan Indonesia”)	Subsidiary
Hon Chuan (Myanmar) Co., Ltd. (“Hon Chuan Myanmar”)	Subsidiary
Hon Chuan Vietnam Co., Ltd. (“Hon Chuan Vietnam”)	Subsidiary
Hon Chuan Malaysia Sdn. Bhd. (“Hon Chuan Malaysia”)	Subsidiary
Hononly Food & Beverage Co., Ltd. (“Hononly Food”)	Subsidiary
Hon Hua (Samoa) Holdings Limited (“Honhua”)	Subsidiary
Hon Chuan Enterprise (Suzhou) Company Limited (“Suzhou Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Qingxin) Co., Ltd. (“Qingxin Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Zhangzhou) Co., Ltd. (“Zhangzhou Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Chuzhou) Co., Ltd. (“Chuzhou Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Xiantao) Co., Ltd. (“Xiantao Hon Chuan”)	Subsidiary
Suzhou Hongxin Food Packing Co., Ltd. (“Suzhou Hongxin”)	Subsidiary
Hon Chuan Food Packing (Taiyuan) Co., Ltd. (“Taiyuan Hon Chuan”)	Subsidiary
Hon Chuan Enterprise (Changsha) Co., Ltd. (“Changsha Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Jinan) Co., Ltd. (“Jinan Hon Chuan”)	Subsidiary
Hon Chuan Enterprise Packing (Luoch) Co., Ltd. (“Luoch Hon Chuan”)	Subsidiary
Hon Chuan FD Packaging Co., Ltd. (“Hon Fu Thailand”)	Subsidiary
Shimada International Limitada (“Shimada”)	Subsidiary
Hon Shi Mozambique Co., Ltd. (“Hon Shi Mozambique”)	Subsidiary

b. Business transaction

	For the Year Ended December 31	
	2020	2019
<u>Sales of goods</u>		
Subsidiary	\$ <u>63,280</u>	\$ <u>77,982</u>
<u>Purchases of goods</u>		
Subsidiary	\$ <u>109,143</u>	\$ <u>144,165</u>

The prices of raw materials and supplies, work in process and equipment parts sold by the Corporation to its subsidiaries are generally based on a markup of cost, and the price of the finished goods is adjusted according to the market price. Payment for the goods is made by telegraphic transfer within 180 days from the closing of the month.

The price of sales to related parties and collection terms approximated those for third parties.

	December 31	
	2020	2019
<u>Accounts receivable</u>		
Subsidiary	\$ <u>13,245</u>	\$ <u>14,404</u>
<u>Accounts payable</u>		
Subsidiary	\$ <u>23,229</u>	\$ <u>38,478</u>

c. Property, plant and equipment

	Get the price For the Year Ended December 31, 2020
Related Party Category	
Subsidiary	\$ <u>9,343</u>

d. Endorsements and guarantees

	December 31	
Related Party Category	2020	2019
Subsidiaries		
Samoa Hon Chuan	\$ 69,000	\$ 69,000
Hon Chuan China	40,000	105,000
Hon Chuan Indonesia	23,940	23,940
Hon Chuan Asia	22,000	22,000
others	<u>40,790</u>	<u>58,790</u>
	\$ <u>195,730</u>	\$ <u>278,730</u>

The Corporation provided endorsements and guarantees for Samoa Hon Chuan for their syndicated loan agreement into which they entered with a group of banks led by Land Bank of Taiwan Co., Ltd. The purpose of the loan is for the repayment of short-term bank loans, procurement of funds for future investment and to increase operating capital. Under the agreement, the Corporation should maintain certain financial ratios based on its annual consolidated financial statements as listed below:

- 1) Current ratio - at least 80% based on the consolidated financial statements.
- 2) Debit ratio - maximum of 200% based on the consolidated financial statements.
- 3) Interest coverage ratio - at least 500% based on the consolidated financial statements.
- 4) Net tangible value must not be less than NTD 9 billion.

If the Corporation is not able to maintain any of the financial ratios as listed above, it must improve the related financial ratios and provide documents of the improvement certified by the Corporation's auditor within five months of the following year starting April 1. If the Corporation's financial ratios improved within the grace period, there will be no violation of the agreement. However, the Corporation should pay an additional 0.2% of the original annual interest rate from April 1 of the following year to the date of the improvement. As of December 31, 2020, the loan facilities have not yet been used.

e. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 49,908	\$ 43,344
Post-employment benefits	<u>235</u>	<u>239</u>
	<u>\$ 50,143</u>	<u>\$ 43,583</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Corporation at December 31, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$291,501 thousand and \$171,958 thousand, respectively.
- b. Unrecognized commitments were as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	<u>\$ 316,376</u>	<u>\$ 660,745</u>

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2020			2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets of monetary items</u>						
USD	\$ 11,102	28.48	\$ 316,185	\$ 5,426	29.98	\$ 162,673
<u>Investments accounted for using the equity method</u>						
USD	686,785	28.48	19,559,638	567,968	29.98	17,027,686
<u>Financial liabilities of monetary items</u>						
USD	2,753	28.48	78,405	4,919	29.98	147,473

The significant unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
Foreign Currency	2020		2019	
	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Losses
NTD	29.55 (NTD:NTD)	\$ (3,136)	30.91 (NTD:NTD)	\$ (195)
EUR	33.71 (EUR:NTD)	(579)	34.61 (EUR:NTD)	(170)
JPY	0.28 (JPY:NTD)	(188)	0.28 (JPY:NTD)	(1,084)
		<u>\$ (3,903)</u>		<u>\$ (1,449)</u>

29. OTHER ITEMS

Environmental Protection Bureau of Taichung City Government (“Environmental Protection Bureau”), Environmental Protection Administration Executive Yuan, R.O.C. (Taiwan), and Taichung District Prosecutors Office (“Taichung Prosecutors Office”) collectively inspected the label factories of the Corporation and discovered that the air pollution control equipment was not functioning properly. As a result, Environmental Protection Bureau issued Letter No. 1070126655 with fine notifications No. 20-107-110002 and No. 20-107-110003 which amounted to \$20,200 thousand fine. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the current year. The Corporation appointed a lawyer to appeal for an administrative remedy to the Supreme Administrative Court, and the case is currently under appeal.

Because of the abovementioned event, Environmental Protection Bureau issued Letter No. 1080045552 on May 2, 2019 for the air pollution charge of \$125,869 thousand from the third quarter of 2013 through the second quarter of 2018. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the first half of 2019. The Corporation appointed a lawyer to appeal to Taichung High Administrative Court for administrative litigation. The Taichung High Administrative Court announced the first-instance verdict that the Corporation lost the trial, and the case was appealed to the Supreme Administrative Court and is currently under trial. The investigation of the case was closed by the Taichung District Prosecutors Office on September 20, 2019. In addition to ordering the Corporation to pay the unlawful income of \$77,299 thousand, which was the air pollution charge from the fourth quarter of 2010 through the second quarter of 2018, the prosecutors charged 19 persons, including the Corporation, for indictable offense due to violation of Air Pollution Control Act. The case underwent a trial in the Taichung District Court. The Corporation paid the aforementioned unlawful income and recognized the amount as other losses under non-operating income and expenses in 2019.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT \$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT \$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT \$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments. (Note 7)
- 10) Information on investees. (Table 6)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: (None).

TABLE 1

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO RELATED ENTITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
1	Samoa Hon Chuan	Hon Chuan China	Receivable from related parties	Yes	\$ 2,958,218 (US\$ 103,870)	\$ 2,233,402 (US\$ 78,420)	\$ 2,233,402 (US\$ 78,420)	1.75%- 3.41%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 7,376,194	\$ 7,376,194
		Hon Chuan Asia	Receivable from related parties	Yes	14,793 (US\$ 519)	-	-	3.40%- 3.41%	Short-term financing	-	Operating Capital	-	-	-	7,376,194	7,376,194
		Hon Chuan Cambodia	Receivable from related parties	Yes	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	21,360 (US\$ 750)	2.25%- 3.20%	Short-term financing	-	Operating Capital	-	-	-	7,376,194	7,376,194
		Hon Shi Mozambique	Other receivable - related parties	Yes	12,093 (US\$ 425)	-	-	-	Business transaction	6,020 (US\$ 211)	-	-	-	-	6,020	7,376,194
		Shimada	Other receivable - related parties	Yes	13,289 (US\$ 467)	-	-	-	Business transaction	13,289 (US\$ 467)	-	-	-	-	13,289	7,376,194
2	Hon Chuan China	Samoa Hon Hsing	Receivable from related parties	Yes	531,152 (US\$ 18,650)	531,152 (US\$ 18,650)	531,152 (US\$ 18,650)	1.75%- 1.76%	Short-term financing	-	Operating Capital	-	-	-	2,773,328	2,773,328
3	Kai Gang	Hon Chuan China	Receivable from related parties	Yes	122,749 (US\$ 4,310)	85,440 (US\$ 3,000)	85,440 (US\$ 3,000)	1.75%- 3.41%	Short-term financing	-	Operating Capital	-	-	-	2,162,370	2,162,370
4	Hon Chuan Asia	Samoa Honly	Receivable from related parties	Yes	126,166 (US\$ 4,430)	-	-	2.38%- 3.91%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
		Hon Chuan Myanmar	Other receivable - related parties	Yes	30,197 (US\$ 1,060)	-	-	2.38%- 4.89%	Business transaction	-	-	-	-	-	-	3,636,536
		Honly Food	Other receivable - related parties	Yes	3,925 (US\$ 138)	-	-	-	Business transaction	-	-	-	-	-	-	3,636,536
			Receivable from related parties	Yes	5,981 (US\$ 210)	-	-	2.38%- 3.91%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
		Hon Chuan Vietnam	Receivable from related parties	Yes	24,514 (EUR 700)	24,514 (EUR 700)	24,514 (EUR 700)	1.25%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
		Hon hua	Receivable from related parties	Yes	8,930 (EUR 255)	-	-	1.25%	Short-term financing	-	Operating Capital	-	-	-	3,636,536	3,636,536
5	Suzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	30,554 (RMB 7,000)	15,277 (RMB 3,500)	15,277 (RMB 3,500)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	398,074	398,074
		Xiantao Hon Chuan	Receivable from related parties	Yes	39,283 (RMB 9,000)	21,824 (RMB 5,000)	21,824 (RMB 5,000)	2.80%- 3.20%	Short-term financing	-	Operating Capital	-	-	-	398,074	398,074
		Luoch Hon Chuan	Receivable from related parties	Yes	28,371 (RMB 6,500)	28,371 (RMB 6,500)	28,371 (RMB 6,500)	2.80%- 3.20%	Short-term financing	-	Operating Capital	-	-	-	398,074	398,074
6	Changsha Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	122,215 (RMB 28,000)	67,655 (RMB 15,500)	67,655 (RMB 15,500)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
		Xiantao Hon Chuan	Receivable from related parties	Yes	74,202 (RMB 17,000)	74,202 (RMB 17,000)	74,202 (RMB 17,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
		Taiyuan Hon Chuan	Receivable from related parties	Yes	48,013 (RMB 11,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
		Luoch Hon Chuan	Receivable from related parties	Yes	65,472 (RMB 15,000)	48,013 (RMB 11,000)	48,013 (RMB 11,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	444,595	444,595
7	Jinan Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	85,114 (RMB 19,500)	85,114 (RMB 19,500)	85,114 (RMB 19,500)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	543,506	546,506
		Xiantao Hon Chuan	Receivable from related parties	Yes	26,189 (RMB 6,000)	26,189 (RMB 6,000)	26,189 (RMB 6,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	543,506	543,506
		Taiyuan Hon Chuan	Receivable from related parties	Yes	24,006 (RMB 5,500)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	543,506	543,506
		Luoch Hon Chuan	Receivable from related parties	Yes	144,039 (RMB 33,000)	104,756 (RMB 24,000)	104,756 (RMB 24,000)	2.80%- 3.70%	Short-term financing	-	Operating Capital	-	-	-	543,506	543,506

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
8	Taiyuan Hon Chuan	Xiantao Hon Chuan	Receivable from related parties	Yes	\$ 21,824 (RMB 5,000)	\$ -	\$ -	2.80%-3.70%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 649,038	\$ 649,038
		Suzhou Hongxin	Receivable from related parties	Yes	21,824 (RMB 5,000)	-	-	3.20%-3.70%	Short-term financing	-	Operating Capital	-	-	-	649,038	649,038
		Chuzhou Hon Chuan	Receivable from related parties	Yes	91,661 (RMB 21,000)	91,661 (RMB 21,000)	91,661 (RMB 21,000)	2.80%	Short-term financing	-	Operating Capital	-	-	-	649,038	649,038
		Luoch Hon Chuan	Receivable from related parties	Yes	109,993 (RMB 25,200)	109,993 (RMB 25,200)	109,993 (RMB 25,200)	2.80%	Short-term financing	-	Operating Capital	-	-	-	649,038	649,038
9	Zhangzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	61,107 (RMB 14,000)	-	-	2.80%-3.70%	Short-term financing	-	Operating Capital	-	-	-	449,372	449,372
		Luoch Hon Chuan	Receivable from related parties	Yes	104,756 (RMB 24,000)	-	-	2.80%-3.70%	Short-term financing	-	Operating Capital	-	-	-	449,372	449,372

Note 1: The financing for operation should not exceed the amount of transaction amounts; the short-term financing should not exceed 40% of the latest net assets of the subsidiaries.

Note 2: The maximum amount is 40% of the latest net assets of the subsidiaries

Note 3: Offshore subsidiaries whose voting share are 100% held, directly or indirectly, by the Corporation will not be subjected to the restriction on 40% of the latest net assets of the Corporation.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

(Concluded)

TABLE 2

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Hon Chuan Indonesia	(Note 4)	\$ 6,295,930	\$ 681,811 (US\$ 23,940)	\$ 681,811 (US\$ 23,940)	\$ 169,497 (US\$ 5,951)	\$ -	5	\$ 12,591,860	Y	-	-
		Samoa Hon Chuan	(Note 4)	6,295,930	1,965,120 (US\$ 69,000)	1,965,120 (US\$ 69,000)	101,104 (US\$ 3,550)	-	16	12,591,860	Y	-	-
		Hon Chuan China	(Note 4)	6,295,930	2,990,400 (US\$ 105,000)	1,139,200 (US\$ 40,000)	579,568 (US\$ 20,350)	-	9	12,591,860	Y	-	-
		Hon Chuan Asia	(Note 4)	6,295,930	626,560 (US\$ 22,000)	626,560 (US\$ 22,000)	-	-	5	12,591,860	Y	-	-
		Luoch Hon Chuan	(Note 4)	6,295,930	341,760 (US\$ 12,000)	142,400 (US\$ 5,000)	-	-	1	12,591,860	Y	-	Y
		Hon Chuan Myanmar	(Note 4)	6,295,930	142,400 (US\$ 5,000)	142,400 (US\$ 5,000)	108,224 (US\$ 3,800)	-	1	12,591,860	Y	-	-
		Samoa Hon Hsing	(Note 4)	6,295,930	541,120 (US\$ 19,000)	541,120 (US\$ 19,000)	-	-	4	12,591,860	Y	-	-
		Qingxin Hon Chuan	(Note 4)	6,295,930	370,240 (US\$ 13,000)	85,440 (US\$ 3,000)	-	-	1	12,591,860	Y	-	Y
		Suzhou Hongxin	(Note 4)	6,295,930	-	-	-	-	-	12,591,860	Y	-	Y
		Xiantao Hon Chuan	(Note 4)	6,295,930	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	-	-	-	12,591,860	Y	-	Y
		Chuzhou Hon Chuan	(Note 4)	6,295,930	56,960 (US\$ 2,000)	28,480 (US\$ 1,000)	-	-	-	12,591,860	Y	-	Y
		Bon Trust	(Note 4)	6,295,930	193,379 (US\$ 6,790)	193,379 (US\$ 6,790)	500 (US\$ 18)	-	2	12,591,860	Y	-	-
1	Hon Chuan Thailand	Hon Fu Thailand	(Note 4)	1,102,036	28,668 (THB 30,000)	28,668 (THB 30,000)	1,911 (THB 2,000)	-	-	2,204,072	-	-	-

Note 1: The maximum is 50% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 2: The maximum is 100% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 3: The maximum amount of the total guarantee for all group entities is 100% of the net assets of the Corporation and subsidiaries.

Note 4: Investees which the Corporation directly and indirectly holds more than 50% percent of the voting shares.

Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

TABLE 3**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2020****(In Thousands of Dollars, Unless Otherwise Specified)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	DECEMBER 31, 2020			
				Number of Shares	Carrying Amount (Note 1)	Percentage of Ownership (%)	Fair Value (Note 1)
The Corporation	<u>Share Capital</u> CDIB CME Fund Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,200,000	\$ 19,252	2	\$ 19,252
	Lightel Technologies Inc.	-	Financial assets at fair value through other comprehensive income - non-current	551,051	8,645	2.8	8,645
	<u>Corporate Bonds</u> TCI CO., Ltd.	-	Financial assets at fair value through profit or loss - current	160,000	16,640	-	16,640
Samoa Hon Chuan	<u>Corporate Bonds</u> Garden Fresh (HK) Fruit & Vegetable Co., Limited	-	Financial instruments at fair value through profit or loss - current	-	29,681 (US\$ 1,042)	-	29,681 (US\$ 1,042)
Hon Chuan Thailand	<u>Share Capital</u> Ichitan Group Public Company Limited	-	Financial assets at fair value through other comprehensive income - non-current	1,000,000	8,839 (THB 9,250)	0.08	8,839 (THB 9,250)

Note 1: The information about fair value please see Note 26.

Note 2: Information on investees, please see Tables 7 and 8.

Note 3: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

TABLE 4

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Ending Balance	
					Number of Shares	Amount (Note 1)	Number of Shares	Amount	Number of Shares	Amount (Note 1)
The Corporation	Samoa Hon Chuan	Investments accounted for using equity method	-	Parent - subsidiary	480,943,793	\$ 16,983,695	61,445,800	\$ 1,838,368	542,389,593	\$ 19,409,562
Samoa Hon Chuan	Hon Chuan Asia	Investments accounted for using equity method	-	Parent - subsidiary	236,798,360	8,586,008 (US\$ 301,475)	16,365,120	466,075 (US\$ 16,365)	253,163,480	9,503,691 (US\$ 333,697)
Samoa Hon Chuan	Hon Chuan China	Investments accounted for using equity method	-	Parent - subsidiary	111,802,005	4,887,567 (US\$ 171,614)	65,120,000	1,424,142 (US\$ 50,005)	176,922,005	7,307,199 (US\$ 256,573)
Hon Chuan Asia	Hon Chuan Indonesia	Investments accounted for using equity method	-	Parent - subsidiary	98,575,783	3,461,687 (US\$ 121,548)	-	466,075 (US\$ 16,365)	98,575,783	3,963,732 (US\$ 139,176)

Note 1: Amount includes investment income/loss recognized under equity method and cumulative translation adjustment.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

TABLE 5

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Samoa Hon Chuan	Hon Chuan China	(Note 2)	\$ 2,240,066 (US\$ 78,654)	-	\$ -	Depend on the operation	\$ -	\$ -
Hon Chuan China	Samoa Hon Hsing	(Note 2)	532,263 (US\$ 18,689)	-	-	Depend on the operation	264,864 (US\$ 9,300)	-
Jinan Hon Chuan	Luoch Hon Chuan	(Note 2)	105,764 (RMB 24,231)	-	-	Depend on the operation	-	-
Taiyuan Hon Chuan	Chuzhou Hon Chuan	(Note 2)	108,627 (RMB 24,887)	-	-	Depend on the operation	6,547 (RMB 1,500)	-
Taiyuan Hon Chuan	Luoch Hon Chuan	(Note 2)	109,993 (RMB 25,200)	-	-	Depend on the operation	-	-

Note 1: Including trade receivables, other receivables and receivable from related parties.

Note 2: Investees which the Corporation directly or indirectly holds more than 50% of the voting shares.

TABLE 6

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	%	Carrying Amount			
The Corporation	Samoa Hon Chuan	Samoa	Overseas reinvested holding company and international trade	\$ 16,592,280	\$ 14,753,912	542,389,593	100	\$ 19,409,562	\$ 939,190	\$ 939,190	Subsidiary
	Bon Trust	Taichung	Overseas reinvested holding company and international trade	9,990	9,990	999,000	99.90	21,723	11,499	11,487	Subsidiary
	Hon Chuan Cambodia	Cambodia	Manufacture and sale of PET bottles	76,585	46,427	1,000	100	66,429	(3,985)	(3,985)	Subsidiary
	Hon Chuan Philippines	Philippines	Manufacture and sale of plastic caps and PET bottles	91,125	-	15,000,000	100	83,647	(5,642)	(5,642)	Subsidiary
Samoa Hon Chuan	Hon Chuan China	Cayman Island	Overseas reinvested holding company	6,113,830	4,689,688	176,922,005	96.236	7,307,199	387,594	(Note 1)	Indirect subsidiary
	Hon Chuan Asia	Cayman Island	Overseas reinvested holding company and international trade	(US\$ 214,671)	(US\$ 164,666)	253,163,480	100	(US\$ 256,573)	(US\$ 13,117)	(Note 1)	Indirect subsidiary
	Hon Chuan Africa	Samoa	Overseas reinvested holding company and international trade	(US\$ 7,258,925)	(US\$ 6,792,850)	13,485,118	100	(US\$ 9,503,691)	(US\$ 574,669)	(Note 1)	Indirect subsidiary
	Paean Company	Seychelles	Overseas reinvested holding company	(US\$ 254,878)	(US\$ 238,513)	-	23.08	(US\$ 333,697)	(US\$ 19,448)	(Note 1)	Investments accounted for using equity method
Hon Chuan China	Kai Gang	Hong Kong	Overseas reinvested holding company	(US\$ 384,053)	(US\$ 371,493)	108,006,000	100	(US\$ 401,796)	(US\$ 10,667)	(Note 1)	Indirect subsidiary
	Samoa Hon Hsing	Samoa	Overseas reinvested holding company	(US\$ 13,485)	(US\$ 13,044)	108,006,000	100	(US\$ 14,108)	(US\$ 361)	(Note 1)	Indirect subsidiary
Hon Chuan Asia	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	(US\$ 26,714)	(US\$ 26,714)	137,000,000	100	(US\$ 15,543)	(US\$ 148)	(Note 1)	Indirect subsidiary
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps, labels, PET bottles and beverage filling OEM service	(US\$ 938)	(US\$ 938)	137,000,000	100	(US\$ 546)	(US\$ 5)	(Note 1)	Indirect subsidiary
	Hon Chuan Vietnam	Vietnam	Manufacture and sale of plastic caps and PET bottles	4,057,261	4,342,061	1,201,561,003	100	5,392,716	279,799	(Note 1)	Indirect subsidiary
	Hon Chuan Malaysia	Malaysia	Manufacture and sale of plastic caps and PET bottles	(US\$ 142,460)	(US\$ 152,460)	108,006,000	100	(US\$ 189,351)	(US\$ 9,469)	(Note 1)	Indirect subsidiary
	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE film	3,076,011	3,588,651	89,524,394	70	4,292,449	196,146	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	(US\$ 108,006)	(US\$ 126,006)	69,854,780	100	(US\$ 150,718)	(US\$ 6,638)	(Note 1)	Indirect subsidiary
	Honly	Cambodia	Overseas reinvested holding company and international trade	1,181,863	1,181,863	8,100,000	60	2,261,198	266,236	(Note 1)	Indirect subsidiary
	Hon Hua	Samoa	Overseas reinvested holding company and international trade	(US\$ 41,498)	(US\$ 41,498)	1,002	49	(US\$ 79,396)	(US\$ 9,010)	(Note 1)	Indirect subsidiary
				3,955,103	3,489,028	17,966,248	100	(US\$ 3,963,732)	(US\$ 115,862)	(Note 1)	Indirect subsidiary
				(US\$ 138,873)	(US\$ 122,508)	-	100	(US\$ 139,176)	(US\$ 3,921)	(Note 1)	Indirect subsidiary
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of labels and PET bottles	911,360	911,360	12,666,225	65	1,281,344	90,095	(Note 1)	Indirect subsidiary
				(US\$ 32,000)	(US\$ 32,000)	81,259,900	100	(US\$ 44,991)	(US\$ 3,049)	(Note 1)	Indirect subsidiary
Samoa Honly	Honly Food	Cambodia	Manufacture and sale of plastic caps and PET bottles	743,300	743,300	17,966,248	100	693,516	64,771	(Note 1)	Indirect subsidiary
				(US\$ 26,099)	(US\$ 26,099)	3,138,790	60	(US\$ 24,351)	(US\$ 2,192)	(Note 1)	Indirect subsidiary
Hon Chuan Africa	Hon Shi Samoa	Samoa	Overseas reinvested holding company and international trade	677,425	677,425	89,524,394	70	753,609	90,981	(Note 1)	Indirect subsidiary
				(US\$ 23,786)	(US\$ 23,786)	69,854,780	100	(US\$ 26,461)	(US\$ 3,079)	(Note 1)	Indirect subsidiary
Hon Shi Samoa	Shimada	Mozambique	Manufacture and sales of plastic caps PET bottles and LDPE membrane	411,963	254,042	69,854,780	100	163,105	(79,132)	(Note 1)	Indirect subsidiary
	Hon Shi Mozambique	Mozambique	Manufacture and sales of plastic caps	(US\$ 14,465)	(US\$ 8,920)	1,002	49	(US\$ 5,727)	(US\$ 2,678)	(Note 1)	Indirect subsidiary
Hon Hua	Uni Tun	Myanmar	Bottled water filling	51,378	51,378	1,002	49	52,574	2,482	(Note 1)	Indirect subsidiary
				(US\$ 1,804)	(US\$ 1,804)	8,100,000	60	(US\$ 1,846)	(US\$ 84)	(Note 1)	Indirect subsidiary
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of labels and PET bottles	230,688	230,688	8,100,000	60	262,415	47,574	(Note 1)	Indirect subsidiary
				(US\$ 8,100)	(US\$ 8,100)	12,666,225	65	(US\$ 9,214)	(US\$ 1,610)	(Note 1)	Indirect subsidiary
Samoa Honly	Honly Food	Cambodia	Manufacture and sale of plastic caps and PET bottles	121,037	121,037	12,666,225	65	169,580	21,548	(Note 1)	Indirect subsidiary
				(THB 126,662)	(THB 126,662)	17,966,248	100	(THB 177,461)	(THB 22,692)	(Note 1)	Indirect subsidiary
Hon Chuan Africa	Hon Shi Samoa	Samoa	Overseas reinvested holding company and international trade	511,700	429,678	17,966,248	100	162,678	(72,809)	(Note 1)	Indirect subsidiary
				(US\$ 17,967)	(US\$ 15,087)	3,138,790	60	(US\$ 5,712)	(US\$ 2,464)	(Note 1)	Indirect subsidiary
Hon Shi Samoa	Shimada	Mozambique	Manufacture and sales of plastic caps PET bottles and LDPE membrane	371,493	371,493	3,138,790	60	386,758	15,425	(Note 1)	Indirect subsidiary
	Hon Shi Mozambique	Mozambique	Manufacture and sales of plastic caps	(US\$ 13,044)	(US\$ 13,044)	-	100	(US\$ 13,580)	(US\$ 522)	(Note 1)	Indirect subsidiary
Hon Hua	Uni Tun	Myanmar	Bottled water filling	25,888	25,888	-	100	106,458	19,266	(Note 1)	Indirect subsidiary
				(US\$ 909)	(US\$ 909)	-	100	(US\$ 3,738)	(US\$ 652)	(Note 1)	Indirect subsidiary
Hon Hua	Uni Tun	Myanmar	Bottled water filling	68,979	68,979	-	100	69,691	(3,812)	(Note 1)	Indirect subsidiary
				(US\$ 2,422)	(US\$ 2,422)	-	100	(US\$ 2,447)	(US\$ 129)	(Note 1)	Indirect subsidiary
Hon Hua	Uni Tun	Myanmar	Bottled water filling	3,930	3,930	-	100	70,716	49,347	(Note 1)	Indirect subsidiary
				(US\$ 138)	(US\$ 138)	-	100	(US\$ 2,483)	(US\$ 1,670)	(Note 1)	Indirect subsidiary

Note 1: Not applicable.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

Note 3: Information on investments in mainland China, please see Table 7.

TABLE 7

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of Dollars, Unless Otherwise Specified)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment (Note 1)	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and PET film	\$ 583,555 (US\$ 20,490)	(Note 1)	\$ 548,525 (US\$ 19,260)	\$ -	\$ -	\$ 548,525 (US\$ 19,260)	\$ (25,058)	96.236%	\$ (23,935)	\$ 933,106	\$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	1,509,440 (US\$ 53,000)	(Note 1)	345,719 (US\$ 12,139)	-	-	345,719 (US\$ 12,139)	205,366	96.236%	196,619	2,266,423	-
Zhangzhou Hon Chuan	Manufacture and sale of PET bottles and beverage filling OEM service	854,400 (US\$ 30,000)	(Note 1)	182,329 (US\$ 6,402)	-	-	182,329 (US\$ 6,402)	857	96.236%	621	787,021	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,310,080 (US\$ 46,000)	(Note 1)	698,500 (US\$ 24,526)	-	-	698,500 (US\$ 24,526)	(58,123)	96.236%	(55,434)	709,374	-
Jinan Hon Chuan	Manufacture and sale of plastic caps and PET bottles and beverage filling OEM service	569,600 (US\$ 20,000)	(Note 1)	211,379 (US\$ 7,422)	-	-	211,379 (US\$ 7,422)	118,935	96.236%	113,734	1,424,477	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	270,560 (US\$ 9,500)	(Note 1)	279,930 (US\$ 9,829)	-	-	279,930 (US\$ 9,829)	65,481	96.236%	62,644	870,698	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	939,840 (US\$ 33,000)	(Note 1)	325,583 (US\$ 11,432)	-	-	325,583 (US\$ 11,432)	77,596	96.236%	73,902	1,637,766	-
Chuzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	284,800 (US\$ 10,000)	(Note 1)	13,215 (US\$ 464)	-	-	13,215 (US\$ 464)	55,079	96.236%	52,627	323,552	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps and PET bottles and beverage filling OEM service	427,200 (US\$ 15,000)	(Note 1)	22,100 (US\$ 776)	-	-	22,100 (US\$ 776)	20,477	96.236%	20,064	405,365	-
Luoch Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	341,760 (US\$ 12,000)	(Note 1)	-	-	-	-	21,305	96.236%	20,477	350,220	-
Anyang Hon Chuan	Manufacture and sale of plastic caps	34,919 (RMB 8,000)	(Note 1)	-	-	-	-	4,344	96.236%	4,173	44,702	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 2,675,468 (USD 93,942)	\$ 6,352,151 (USD 223,039)	(Note 3)

Note 1: The Corporation invested in China through third parties.

Note 2: The Corporation recognized its equity in the investee’s net income on the basis of financial statements audited by the CPA member firm of the Corporation’s auditors.

Note 3: The regulation refers to “Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China” issued by the Investment Commission of the Ministry of Economic Affairs.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2020.

6.6 Financial difficulties, if any, encountered by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company's financial status: None.

7. Review and Analysis of Financial Conditions and Performance and Risk Management

7.1 Financial Status

Financial Status Analysis

Unit: NTD\$ Thousand

Item \ Year	2020	2019	Increase (Decrease) Amount	Change Ratio (%)	Change Analysis
Current Assets	10,608,001	11,097,170	(489,169)	(4.41)	-
Property, Plant and Equipment	16,654,786	16,146,473	508,313	3.15	-
Intangible Assets	350,327	370,046	(19,719)	(5.33)	-
Other Assets	4,079,396	3,910,352	169,044	4.32	-
Total Assets	31,692,510	31,524,041	168,469	0.53	-
Current Liabilities	6,981,922	8,325,948	(1,344,026)	(16.14)	-
Non-current Liabilities	10,826,683	9,469,956	1,356,727	14.33	-
Total Liabilities	17,808,605	17,795,904	12,701	0.07	-
Capital Stock	2,877,859	2,928,789	(50,930)	(1.74)	-
Additional Paid-in Capital	5,395,572	5,485,872	(90,300)	(1.65)	-
Retained Earning	7,113,755	6,482,105	631,650	9.74	-
Non-controlling Equity	807,894	786,409	21,485	2.73	-
Other Equity	(2,311,175)	(1,955,038)	(356,137)	18.22	-
Treasury Shares	0	0	0		-
Total Equity	13,883,905	13,728,137	155,768	1.13	-
Please explain the variation reason for which exceeding 20%: -					

7.2 Analysis of Financial Performance

7.2.1 Financial performance analysis

Unit: NTD\$ Thousand

Year Item	2020	2019	Increase (Decrease) Amount	Change Ratio (%)	Change Analysis
Net Sales	19,348,249	21,527,348	(2,179,099)	(10.12)	-
Cost of Goods Sold	15,242,548	17,245,038	(2,002,490)	(11.61)	-
Gross Profit	4,105,701	4,282,310	(176,609)	(4.12)	-
Operating Expense	1,915,855	2,026,362	(110,507)	(5.45)	-
Profit From Operation	2,189,846	2,255,948	(66,102)	(2.93)	-
Non-operating Income and Expense	(34,533)	(257,099)	222,566	(86.57)	1
Profit Before Income Tax	2,155,313	1,998,849	156,464	7.83	-
Income Tax	424,573	532,247	(107,674)	(20.23)	2
Net Income	1,730,740	1,466,602	264,138	18.01	-
Other Comprehensive Income	(364,883)	(223,071)	(141,812)	63.57	3
Total Comprehensive Income of This Year	1,365,857	1,243,531	122,326	9.84	-
<p>Please explain the variation reason for which exceeding 20%:</p> <ol style="list-style-type: none"> 1. The decrease in Non-operating Expense: Due to the other losses of NT\$203,168 thousand in 2019, which did not occur in 2020. 2. The decrease in Income Tax: Mainly due to the fact that the income tax of 2019 was overestimated, and the actual payment of 2019 corporate income tax in 2020 was lower, so income tax of 2020 was adjusted. 2. The increase in Other Comprehensive Income: Due to the influence of cumulative translation adjustment of this year. 					

7.2.2 Forecasts of sales volumes and supportive sources, its impact on the Company's financial and operational situations and action plan

The forecast of sales volumes is based upon industrial tendency, demand and supply conditions in food and beverage sectors, taking into consideration of sales of various products and clients' changes. For the coming year, we do not foresee any material changes and can properly cope with financial and business situations. For the sales volumes in the future, please refer to Page 4 "2021 Projected sales volume and its reference".

7.3 Analysis of Cash Flow

7.3.1 Liquidity Analysis within the last 2 years

Item \ Year	2020	2019	Different (%)
Cash Flow Ratio (%)	60.48	49.93	21.13
Cash Flow Adequacy Ratio (%)	104.04	105.23	(1.13)
Cash Re-investment Ratio (%)	7.27	8.18	(11.12)
Please explain the variation reason for which exceeding 20%: 1. Cash Flow Ratio are increased than last period: Due to the rise of net cash provided by operating activities and the fall of current liabilities in 2020.			

7.3.2 Cash Liquidity Analysis for next year

Unit: NTD\$ Thousand

Cash Balance – Beginning (1)	Estimated Annual Net Cash Flow from Operating Activities (2)	Estimated Annual Cash Outflow (3)	Cash Balance (Deficit) (1)+(2)-(3)	Contingency Plans for Insufficient Cash	
4,047,124	4,255,401	4,613,900	3,688,625	Investment Plan	Financial Plan
				-	-
1. Cash liquidity analysis for next year: (1) Operating activities: Mainly arising from expected profits of 2021 business activities, which causes the inflow of net cash. (2) Investing activities: Expected increase of capital expenditures, which causes the outflow of net cash. (3) Financing activities: Plan to pay back the banks' loan, which causes the outflow of net cash. 2. Contingency plans for insufficient cash and liquidity analysis: Not applicable.					

7.4 The impact of material capital expenditure on financial business in the most recent year

7.4.1 Major Capital Expenditure and its Source of Capital

Unit: NTD\$ Thousand

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual Capital Expenditure	
				2020	2021
Hon Chuan	Equity fund & Bank loan	Finished before the 4th quarter of 2021	4,534,943	3,046,585	1,488,358

7.4.2 Impact on the financial and business conditions

In view of the gradual growth of beverage market, demographic dividend of emerging markets, continuous enhancement of consumption level, Hon Chuan distributed actively in Taiwan, South-east Asia and Africa. We invested new filling production lines for beverage, and new packaging production lines for beverage and food. Also, we have signed up long-term cooperation contracts with several prestigious beverage companies. The Company will consistently explore those potential emerging markets, through proprietorship or joint venture, to produce and sell beverage and other packaging materials for food and drinks. The niche market strategy is expected to lead the Company into a goal of sustainable management and development.

7.5 Re-investment policy in the most recent year, main reason for profit or loss resulted, its improvement plan, and next year's investment plan

Analysis of Re-investment

Unit: NTD\$ Thousand

Explanation Item	Amount (Note)	Policy	Main Reason for Profit or Loss Resulted	Improvement Plan	Other Investment Plan in the Future
Hon Chuan Holding Limited	16,592,280	Expand great China, South-east Asia and Africa markets.	Cultivating in great China and South-east Asia markets becomes fruitful. The profit from investment in Hon Chuan Holding Limited stood at NT\$939,190 thousand in 2020.	Overseas markets are still full of opportunities and are expected to grow in a steady pace.	It depends on the actual operational requirements.

Note: For the investments exceeding 5% of authorized capital up to March 31, 2021.

7.6 Risk analysis and evaluation

7.6.1 Interest rates, exchange rates, and inflation, their impact on the Company's profit or loss, and future countermeasures

7.6.1.1 The Impacts of interest rates, in the most recent fiscal year, on the Company's profit and loss, and the future countermeasures

As more and more people worldwide are willing to get the COVID-19 vaccine, the impact of COVID-19 pandemic has slowed down, and global economic growth is expected to resume. Major economies have adopted easing monetary policies, launched expansionary fiscal policies, and implemented large-scale economic incentives; due to the moderate domestic price and the outlook of inflation, the domestic economy is expected to grow steadily. Therefore, on March 18, 2021, the Central Bank of the Republic of China decided to maintain the interest rate unchanged and continue the easing monetary policy. The domestic financial market is still in a low interest rate environment, and the financial market at home and abroad are also expected to remain in a low interest rate environment for some time. The Company will take measures if necessary by following up on the change in interest rates.

7.6.1.2 The Impacts of exchange rates in the most recent fiscal year on the Company's profit and loss, and the future countermeasures

The Company has set up subsidiaries and plants in Mainland China, Southeast Asia and Africa, in which mainly target at domestic markets, so the export and outsourcing percentages are lower. Collections and payment are mainly trading with local currencies. The major exchange gains and losses are mainly the exchange gains and losses generated from the holdings of financial assets and debts valued in foreign currencies. Apart from adopting the natural hedging strategy by holding foreign debts to balance the foreign currency asset position, we also closely observe the international finance and exchange rate fluctuations, collect market information and timely grasp the trend of exchange rate fluctuations, in accordance with "Procedures for Financial Derivatives Transactions" to engage in hedging and timely avoid the risks associated with exchange rate fluctuations.

7.6.1.3 The Impacts of inflation, in the most recent fiscal year, on the Company's profit and loss and the future countermeasures

As the Company and subsidiaries, in the recent years, continued to develop the signing of mid and long-term strategic cooperation contracts with our clients, and this type of contract adopts floating prices to flexibly adjust the product prices, so the risks associated with the raw material price fluctuation can be reduced, to moderate the threat brought from inflation to the profit and loss of the Company.

The following information is provided as a reference and comparison for the above-mentioned risks:

Unit: NTD\$ Thousand

Item / Year	2020	2019
Net foreign exchange gain (loss)	(1,585)	1,277

Net Sales	19,348,249	21,527,348
Profit from Operations	2,189,846	2,255,948
Profit before Income Tax	2,155,313	1,998,849
Interest revenue	51,541	58,039
Interest expense (Note 1)	167,767	261,702

Note 1: The interest expenses for 2020 include the interest expenses of NTD\$ 33,196 thousand which recognized from the 1st domestic unsecured corporate bonds issued by the Company.

7.6.2 The policies to engage in high-risk, high-leverage investments, lending funds to others, endorsements and guarantees, and the transactions of derivative products, the main reasons for profits and losses, and the future countermeasures

1. The Company has never engaged in any high-risk or high-leverage investments. In addition, providing endorsements/guarantees and engaging in derivative transactions are all in response to the operation needs and are handled according to the Company's "Regulations Governing the Acquisition and Disposal of Assets", "Operational Procedures for Lending Funds to Others", "Operational Procedures for Endorsements/Guarantees" and "the Procedures for Engaging in Derivatives transactions".
2. The transactions of derivatives products the Company and subsidiaries engaged in were to achieve the purposes of the risk aversion arising from foreign currency exchange rate fluctuation, and the relevant transactions were handled according to "Regulations Governing the Acquisition and Disposal of Assets" and "the Procedures for Engaging in Derivatives transactions", and were fully disclosed in the financial statements.

The net profits (losses) generated from engaging in the transaction of derivative products by the Company were as follows:

Unit: NTD\$ Thousand

Item	2020	2019
Gain (or Loss) on valuation of financial asset	(4,542)	(11,406)

7.6.3 Future Research and Development (R&D) Plans and the R&D expenses expected to be invested

For long-term development and quality improvement, the Company combines and integrated R&D technical team to reinforce our core competitiveness, sets up R&D technical group, cultivates professional talents, invests in R&D and technical tasks, uses the advanced equipment and information to develop products, collects the latest domestic and foreign packaging materials and beverage processing technologies, to meet our clients' needs in the market.

In 2021, the Company is expected to invest in the R&D expenditures equivalent to what was invested in the previous fiscal year; in the future, we will continue to invest in technology R&D to upgrade our competitive advantage. For the R&D plans in the most recent fiscal year, please refer to Page 75.

7.6.4 The Impacts of changes of the important domestic and foreign policies and laws on the company's finance and business, and the countermeasures

The Company and subsidiaries pay constant attention to the variable information of major domestic and foreign policies and laws, regularly update regulatory changes by cooperating with external law consultants and professional consultants, in order to provide to its management team as reference and take actions with countermeasure, so there are no significant impacts on the Company's finance or business.

7.6.5 The Impacts of Technology Changes and Industry Changes on Our Company's Finance and Business, and the Countermeasures

The Company and subsidiaries pay attention to the technology changes and technical development and evolution in our industry at all times. In recent years, the Company has continued to optimize and customize the ERP system and introduce ERP system to our new production line for providing useful data; in addition, we continuously develop the Business Process Management (BPM) System to digitize the Company's form process. The Company is currently planning to build a business intelligence platform to bring together company-wide data, information and knowledge for information integration and analysis. The Company also constantly improve product quality and manufacturing processes, grasp the latest development trends in the industry, through close cooperation process with the clients, and adopt prudent financial management strategies to maintain our market competitiveness. In the future, the Company and subsidiaries will continue to pay attention to the change situation of the relevant technology in our industry, that we will also continue to upgrade our R&D capabilities, actively broaden the future market application fields, evaluate the impacts on our company's operation and make corresponding adjustment, to reinforce our company's and subsidiaries' business development and financial condition, so technology changes and industry changes have had no significant impacts on the Company and subsidiaries so far.

7.6.6 The Impacts of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures

The major clients of the Company and subsidiaries are mostly world-class international giants, and for many years, the Company and subsidiaries have adhered to the principles of business integrity and fulfilling our role in the industry, and pay attention to corporate image, so we could establish a professional image in the industry and win the affirmative reputation from the international giants. The Company and subsidiaries consider the promotion of social economy, upgrade of environmental prosperity and protection of employee welfare to be our priorities. As for the laws and regulations set by the competent authorities, we also strictly comply with. So far, the Company and subsidiaries have good corporate image and there has been no significant changes that would result in the circumstances of enterprise crisis management.

7.6.7 The Expected Benefits and Possible Risks to Engage in Mergers and Acquisitions (M&A) and the Countermeasures

The Company and subsidiaries do not have plans to merge with or acquire other

companies, and when we do have M&A plans in the future, we will carefully assess and consider the merger synergy in order to guarantee the existing shareholders' equities.

7.6.8 The Expected Benefits and Possible Risks to Expand the Plants and the Countermeasures

1. Expected Benefits:

In view that currently consumers have increase their degree of attention on the quality and eco-friendly property of packaging materials, the Company and subsidiaries, in the recent years, have more actively developed aseptic filling technology and combined aseptic beverage filling technology, to form the integrated complete manufacturing process from the production of packaging materials to filling of beverage content, to provide the clients the comprehensive services with price competitiveness. The completely finished beverage products are shipped in whole boxes, so the wear and tear risks associated with the shipping of packaging materials purchased by the clients, and the capital, time and manpower, etc. wasted, setting up their own plants to perform filling operation, are effectively reduced. Currently, the Company and subsidiaries plan to extend the production territory of aseptic beverage filling from Taiwan, where the parent company is located, to China, South-east Asia and Africa markets, in order to reinforce the competitive advantage, of our company and subsidiary, in the international market.

The Company has also constantly developed the emerging markets with growth potential, either by sole ownership or joint venture, to produce and sell beverage and the packaging materials. Recently, there have been successively several markets that have reached the periods of fruitful results to be harvested, and the planning strategy for this niche market is expected to lead our company to move towards another epoch-making milestone.

2. Possible Risks and Countermeasures:

- (1) During the project construction period, the construction area causes inconvenience for the entering and exiting of personnel and vehicles and the goods allocation costs are also increased; and our company's countermeasures include hiring 24-hour full time security guards to monitor the entering and exiting of personnel and vehicles, separating passenger lanes completely from the driveways, and coordinating with supervision and occasional inspection by the Company's Labor Safety and Health department and the government's occupational safety unit.
- (2) To prevent the construction progress from going behind schedule, our company stipulates the construction progress in the contract with the contractors, sets the penalties, reviews weekly and adopts improvement measures, and saves the meeting minutes to facilitate the subsequent follow-up, to ensure the construction to be completely on schedule.

7.6.9 The Risks Faced with Concentrated Procurement and Sales, and the Countermeasures

The Company and subsidiaries maintain flexibility in terms of the procurement of bulk raw materials by purchasing from several suppliers, so there are no risks arising from over concentration.

In terms of sales, our clients are mostly well-known domestic food and beverage

giants with lower credit risks, in addition, the Company and subsidiaries continue to develop new clients and form partnership relationship with both domestic and foreign well-known food and beverage giants. So far there have been no risks arising from concentrated sales.

7.6.10 The impacts and risks arising from a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or changes hands and the countermeasures: None.

7.6.11 The impacts and risks arising from the change of management rights and the countermeasures: Not applicable.

7.6.12 Litigation and Non-Litigation Events:

The Company's significant litigations, non-litigations, and administrative litigations, which the judgments are already determined or still pending, of which the result could have material impacts on the shareholders' equities or the securities prices, the disputed facts, target amounts, the litigation starting dates, the main litigating parties, and the processing status up to the annual report printing date should be disclosed:

On September 11 and 20, 2018, the Environmental Protection Bureau of Taichung city government came to the Company for examining and auditing air pollution control issues in company with Taiwan Taichung District Prosecutors Office. Because the air pollution control equipment in the Label plant of the Company didn't reach the regulatory standards, emission amounts exceeded the contents of the license, and internal executive units didn't follow up the latest regulations update, which caused air pollution control fees under-reported for the past periods, the Environmental Protection Bureau of Taichung city government, by No. 1080045552 on May 2, 2019, had recalculated the fee from the 3rd quarter of 2013 to the 2nd quarter of 2018 in accordance with Article 75 of the Air Pollution Control Act and requested the Company to pay double the amount of the fee rates for pollution source emissions, which was in total NTD\$ 125,869,455 (has been recognized in the 2nd quarter financial report of 2019). The Company has sought for administrative relief against the Taichung High Administrative Court on November 1, 2019. The Taichung High Administrative Court decided against the Company on October 8, 2020, and the case is currently appealed to the Supreme Administrative Court. Regarding the above-mentioned lack of environmental safety, the Company has completed the improvement after the event.

Due to the above incidents, the prosecutor from the Taiwan Taichung District Prosecutor's Office institutes a public prosecution in 19 people including the Company for violating the Air Pollution Control Act and the Offenses of Fraudulence of Criminal Code of the Republic of China, and requested them to pay NTD\$ 77,298,948 (has been recognized in the 3rd quarter financial report of 2019). The content contained in the indictment of the Taichung District Procuratorate Office is partly different from the facts. In addition, there may exist doubt about double payment of the above-mentioned payment and the amount of NT \$ 125,869,455 for

the air pollution fee from the 3rd quarter of 2013 to the 2nd quarter of 2018 paid by the Company to the Environmental Protection Bureau; the company has appointed lawyers to undertake relevant research and assist in the subsequent defense. The whole case (No. 2479 in 2019) is pending in the Taiwan Taichung District Court. The Company has paid the aforementioned illegal benefits and recognized them as non-operating expenses - other losses for the year 2019.

7.6.13 Other important risks or countermeasures:

(1) In order to reduce the related risk of environmental protection, the Company takes some countermeasures as follows:

- Strengthen the internal propaganda and training courses of environmental protection regulation in every plants.
- In order to promptly update the related laws and regulations, Legal affairs office shall take responsible of announcing and propagandizing, and Auditing office shall take responsible of supervising, checking and auditing.
- The Company has recruited several Environmental safety Specialists, hired external consultants with professional and practical experience, and outsourcing consultant company of Environmental protection bureau, to assist itself to fully implement procedures related to occupational safety, environmental sanitation, and environmental protection law.
- Purchase related control equipment, make sure to comply with environmental protection law and fully carry out environmental protection policy.

(2) Information security policy and concrete actions

In order to enhance management of information security, the MIS Office of THC established an "Information Security Team", to be in charge of inspecting the information security management policies of all departments of the Group and supervising the security management operations. By the professional management, planning, supervision, promotion and implementation of the Information Security Team, THC expects to build comprehensive protection mechanisms for information security to increase employees' awareness of information security and reduce information security risks. The material issues of information security are reported to the Board of Directors.

- The Company applies the Plan-Do-Check-Act (PDCA), a method for continual improvement of processes, in its information security management system. By the efficient system, regular Information Security promotion, and social engineering exercises, the employees' greater awareness of information security can be built.
- The Company regularly carries out vulnerability assessment of host and equipment, and inspection of validity of the protection system. In response to new threats of information security, the Company introduces new information security protection equipment and software to reduce the all possible information risks and build a comprehensive cyber defense infrastructure.
- To ensure availability of important information systems, the Company establishes a back-up mechanism for the core information system and conducts Information technology and disaster recovery exercises twice a year.

Although the Company has not purchased the cyber insurance, the performance of the Information Security Team and the implementation of the Information Security

Policy can also create a secure IT environment to ensure the information security of the Company's various services. The next objective is to complete the information security system of all plants to strengthen the information security network. In the future, the Company will not only recruit more information security talents, but also plan to carry out training courses and certifications, so the manpower and capability in information security system of the Company will be strengthened.

7.7 Other important Matters: None.

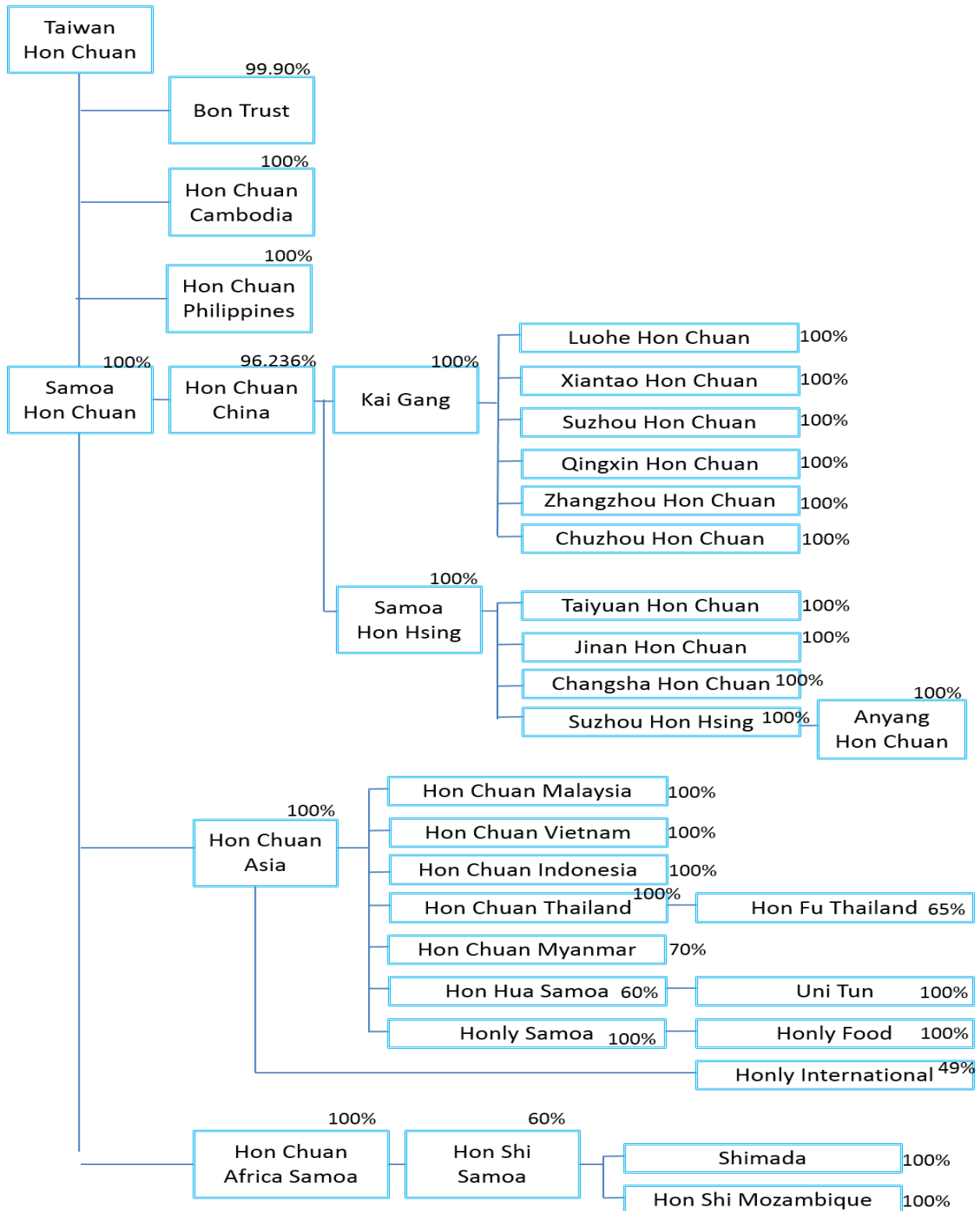
8. Special Disclosures

8.1 Summary of Affiliated Enterprises

8.1.1 Consolidated Business Report of Affiliated Companies

8.1.1.1 Affiliated Companies Chart

As of December 31, 2020



8.1.1.2 Summary of Affiliated Companies

Unit: NTD\$ Dollar

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business / Production Items
Bon Trust International Trade Co., Ltd.	April 9, 2019	24F.-1, No. 218, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	TWD\$10,000,000	International Equity Investment and Trade Business
Hon Chuan Holding Limited	March 15, 2002	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 542,389,593	International Equity Investment and Trade Business
Hon Chuan (China) Holding Co., Ltd.	January 10, 2003	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman, KY1-1208, Cayman Island	USD\$ 18,384,181	International Equity Investment
Kai Gang Industries Limited	January 29, 1991	Suit 1801-5, 18/F, Tower 2., China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	USD\$143,462,424	International Equity Investment
Hon Hsing (Samoa) Holding Limited	June 18, 2002	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 108,006,000	International Equity Investment
Hon Chuan (Africa) Holdings Co., Ltd.	July 10, 2015	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 13,485,118	International Equity Investment and Trade Business
Hon Shi (Samoa) Holding Limited	October 15, 2015	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 5,231,316	International Equity Investment and Trade Business
Hon Chuan Enterprise (Suzhou) Company Limited	September 10, 1993	No.58 Yingbin Road, Luzhi Economic Development Zone Wuzhong Area, Suzhou City, China	USD\$ 20,490,000	Manufacture and sale of plastic caps, labels and PET film
Hon Chuan Food Packing (Qingxin) Co., Ltd.	May 18, 2009	No. M-05B YingFu Industrial Park, Taiping Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	USD\$ 53,000,000	Manufacture and sale of plastic caps, labels, PET bottles and beverage filling OEM
Suzhou Hongxin Food Packing Co., Ltd.	May 23, 2002	No.58A Yingbin Road, Luzhi Economic Development Zone Wuzhong Area, Suzhou City, China	USD\$ 46,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Enterprise (Changsha) Co., Ltd.	December 02, 2002	Chuangye Road, Ningxiang Economic Development Zone, Changsha City Hunan Province, China	USD\$ 9,500,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM

Hon Chuan Food Packing (Jinan) Co., Ltd.	January 10, 2003	Mingshui Economic Development, Shandong Province, China	USD\$ 20,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Food Packing (Taiyuan) Co., Ltd.	December 11, 2002	State Level Tai Yuan Development Zone, Shan Xi, China	USD\$ 33,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Food Packing (Zhangzhou) Co., Ltd.	March 21, 2012	Xingtai Industrial Park of Changtai Economic Development Zone, Fujian province, PRC	USD\$ 30,000,000	Manufacture and sale of PET bottles and beverage filling OEM
Hon Chuan Food Packing (Chuzhou) Co., Ltd.	October 16, 2013	No.1, Fuyang Road, Chengbei Industrial Park, Chuzhou City, Anhui Province, PRC	USD\$ 10,000,000	Manufacture and sale of plastic caps, preforms and caps
Hon Chuan Food Packing (Xiantao) Co., Ltd.	February 18, 2014	No.59, Gold Road West, Xiantao, Hubei, China	USD\$ 15,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Food Packing (Louhe) Co., Ltd.	June 22, 2017	South side, Yongchang Road Eastern section, Industrial Cluster Zone, Linyi County, Luohe City, Henan Province	USD\$ 12,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Food Packing (Anyang) Co., Ltd.	September 04, 2014	Intersection of GongXing Avenue and GuangMing Road, Chengguan town, Tangyin County, Henan Province	RMB\$ 8,000,000	Sale of new PE/PP packaging materials, food packaging materials
HC (Asia) Holdings Co., Ltd.	June 02, 2005	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman, KY1-1208, Cayman Island	USD\$ 253,163,480	International Equity Investment and Trade Business
Hon Chuan (Thailand) Co., Ltd.	July 12, 2004	101/116 Moo20, Khlong Nung, Khlong Luang, Pathum 12120, Thailand	THB\$ 1,370,000,000	Manufacture and sale of plastic caps and PET bottles
Hon Chuan FD Packaging Co., Ltd.	January 17, 2005	695/4 M001, Banbund-Bankai Rd, Klongkew, Banbung Chonburi 20220 Thailand	THB\$ 194,865,000	Manufacture and sale of PET bottles and labels
PT Hon Chuan Indonesia	September 29, 2004	Delta Silicon V, jalan kenari raya Blok G2 No.1 & 17, Cikarang Pusat, Indonesia	IDR\$ 1,753,233,622,960	Manufacture and sale of plastic caps, labels and PET bottles and beverage filling OEM
Hon Chuan Vietnam Co., Ltd.	October 17, 2007	No.29, VSIP II Street 7, Vietnam-Singapore Industrial Park II, Hoa Phu Ward, Thu Dau Mot Town, Binh Duong Province, Vietnam	VND\$ 672,613,500,000	Manufacture and sale of plastic caps and PET bottles

Hon Chuan Malaysia Sdn. Bhd.	August 11, 2010	PT. 29469, Lengkok Teknologi 3, Kawasan Perindustrian Tech Park @ Enstek, 71760 Bandar Enstek, Negeri Sembilan Darul Khusus	MYR\$ 81,259,900	Manufacture and sale of plastic caps and PET bottles
Hon Chuan (Myanmar) Co., Ltd.	June 27, 2013	Plot No. B-5, Mingaladon Industrial Park, Mingaladon Township, Yangon Region, The Republic of the Union of Myanmar	MMK\$ 32,278,529,792	Manufacture and sale of plastic caps, PET bottles and LDPE film
Hon Hua (Samoa) Holdings Limited	October 17, 2016	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 13,500,000	International Equity Investment and Trade Business
Uni Tun Co., Ltd.	November 08, 2016	No.525, Pyay Road, Hmawbi Township, Yangon, Myanmar	MMK\$ 186,938,598	Bottled water filling OEM
Honly Holding Co., Ltd.	January 30, 2014	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD \$6,985,478	International Equity Investment and Trade Business
Honly International Co., Ltd.	January 30, 2015	No.44, National Road No.4, Group 5, Phum Trapeang Kol, Sangkat Kantouk, Khan Po Sen Chey, Phnom Penh, Cambodia	USD \$3,681,000	International Equity Investment and Trade Business
Honly Food & Beverage Co., Ltd.	July 21, 2014	House #44, Street National Road 4, Group 5, Trapeang Kol village, Kantouk commune, Po Sen Chey district, Phnom Penh	USD \$17,966,248	Beverage filling OEM
Hon Chuan (Cambodia) Co., Ltd.	July 16, 2019	House #44, Street National Road 4, Group5, Trapeang Kol Village, Kantouk Commune, Po Sen Chey District, Phnom Penh, Cambodia	USD \$2,500,000	Manufacture and sale of PET bottles
Hon Chuan (Philippines) Co., Ltd	Feb 3, 2020	Lot 3, Block 7 Light Industry&Science Park IV (LISP IV) Malvar, Batangas, Philippines	PHP\$ 150,000,000	Manufacture and sale of plastic caps and PET bottles
Shimada International Limitada	June 28, 2004	Rua de Sofala, No.173-Matola C Maputo-Mozambique	MZN \$360,000	Manufacture and sale of plastic caps, PET bottles and LDPE film
Hon Shi Mozambique Co., Ltd.	December 04, 2015	Parcela No.3379/R, En4, Chumene, Motola, Mozambique	MZN \$161,584,000	Manufacture and sale of plastic caps

8.1.1.3 Data of Common Shareholders of Treated-as Controlled Companies and Affiliates: None.

8.1.1.4 Affiliated company's Operating Results

Unit: NTD\$ Thousand

Company Name	Paid-in Capital (Note 1)	Total Assets (Note 1)	Total Liabilities (Note 1)	Total Equity (Note 1)	Sales (Note 2)	Gross Profit (Loss) (Note 2)	Net Profit (Loss) of the period (Note 2)
Hon Chuan Holding Limited	15,447,256	19,543,760	134,198	19,409,562	6,246	(65,125)	939,189
Bon Trust International Trade Co., Ltd.	10,000	35,195	13,450	21,745	327,602	18,834	11,499
Hon Chuan (Cambodia) Co., Ltd.	71,200	93,980	27,551	66,429	33,261	(3,897)	(3,985)
Hon Chuan (Philippines) Co., Ltd.	87,915	100,269	16,622	83,647	0	(2,210)	(5,642)
Hon Chuan (China) Holding Co., Ltd.	523,581	10,219,268	2,626,257	7,593,011	(23,368)	(23,531)	387,582
Kai Gang Industries Limited	4,085,810	5,351,650	115	5,351,535	11	(205)	279,794
Hon Hsing (Samoa) Holding Limited	3,076,011	4,824,705	532,268	4,292,437	0	(62)	196,149
Hon Chuan (Africa) Holdings Co., Ltd.	384,056	401,787	0	401,787	1,425	1,399	10,677
Hon Shi (Samoa) Holding Limited	148,988	182,746	8,329	174,417	0	(25)	15,426
Hon Chuan Enterprise (Suzhou) Company Limited	583,555	1,035,618	66,009	969,609	382,124	(35,005)	(25,052)
Suzhou Hongxin Food Packing Co., Ltd.	1,310,080	774,357	37,249	737,108	413,371	(76,884)	(58,132)
Hon Chuan Enterprise (Changsha) Co., Ltd.	270,560	943,362	38,620	904,742	361,058	66,172	65,477
Hon Chuan Food Packing (Jinan) Co., Ltd.	569,600	1,526,945	46,766	1,480,179	804,154	144,270	118,931
Hon Chuan Food Packing (Taiyuan) Co., Ltd.	939,840	1,765,771	63,963	1,701,808	1,148,967	86,500	77,593
Hon Chuan Food Packing (Qingxin) Co., Ltd.	1,509,440	2,527,653	172,588	2,355,065	1,513,136	251,766	205,371

Hon Chuan Food Packing (Zhangzhou) Co.,Ltd.	854,400	846,816	29,006	817,810	325,926	(9,725)	846
Hon Chuan Food Packing (Chuzhou) Co., Ltd.	284,800	654,872	318,678	336,194	607,538	77,962	55,082
Hon Chuan Food Packing (Xiantao) Co., Ltd.	427,200	683,300	262,075	421,225	195,569	34,931	20,487
Hon Chuan Food Packing (Luohe) Co., Ltd.	341,760	677,119	313,200	363,919	323,818	21,541	21,297
HC (Asia) Holdings Co.,Ltd.	7,210,096	9,488,911	0	9,488,911	14,505	13,078	574,663
Hon Chuan (Thailand) Co., Ltd.	1,309,157	2,434,042	169,534	2,264,508	1,584,807	263,318	266,240
Hon Chuan FD Packaging Co., Ltd.	186,211	289,278	28,386	260,892	278,013	21,155	21,548
PT Hon Chuan Indonesia	3,545,038	4,350,572	384,529	3,966,043	1,451,705	148,493	115,862
Hon Chuan Vietnam Co., Ltd.	747,274	1,374,311	84,236	1,290,075	675,351	104,401	90,077
Hon Chuan Malaysia Sdn. Bhd.	551,713	772,934	78,203	694,731	455,318	69,151	64,763
Hon Chuan (Myanmar) Co., Ltd.	691,309	1,046,845	135,712	911,133	622,851	83,945	90,976
Hon Hua(Samoa) Holdings Limited	384,480	459,332	32,517	426,815	0	(41,315)	47,561
Uni Tun Co., Ltd.	4,004	84,684	13,969	70,715	154,413	48,898	49,347
Honly Holding Co., Ltd.	198,946	163,099	0	163,099	701	(2,681)	(79,140)
Honly International Co., Ltd.	104,835	109,271	1,976	107,295	0	(695)	2,473
Honly Food & Beverage Co., Ltd.	511,679	164,313	1,428	162,885	13,087	(70,616)	(72,819)
Shimada International Limitada	137	139,917	33,451	106,466	128,749	24,428	19,255
Hon Shi Mozambique Co., Ltd.	61,440	88,612	14,426	74,186	51,785	(2,897)	(3,805)

(Note 1) Foreign exchange rates (to NTD) for balance sheet amounts are as follows: USD: 28.48, RMB: 4. 364816, THB: 0.955589, RP: 0.002022, VND: 0.001111, MYR: 6.78949, MMK: 0.021417, MZN: 0.380236 ,PHP : 0.5861

(Note 2) Foreign exchange rates (average in 2020, to NTD) for income statement amounts are as follows: USD : 29.549, RMB :

4.275533, THB : 0.949587, RP : 0.002039, VND : 0.001152, MYR : 6.734513, MMK : 0.021453, MZN : 0.425506, PHP : 0.5887.

8.1.1.5 Business scope conversing by all affiliated companies:

Please refer to the basic information of affiliated companies.

8.1.1.6 Give explanations if there is mutual connections between affiliated companies: None.

8.1.1.7 Directors, Supervisors and Presidents of Affiliated Companies:

Unit: Share / %

Company	Title	Name or Representative	Shareholding	
			Share (Note)	%
Bon Trust International Trade Co., Ltd.	Director	Wang, Mei-Ying	1,000	0.1%
	Supervisor	Hsieh, I-Fang		
Hon Chuan Holding Limited	Director	Lin, Chuan-Nui, Dai, Hung-Chuan, Tsao, Hsieh-Chung (Representative of Taiwan Hon Chuan Enterprise Co., Ltd.)	542,389,593	100%
Hon Chuan (China) Holding Co., Ltd.	Director	● Dai, Hung-Chuan, Tsao, Hsieh-Chung, (Representative of Hon Chuan Holding Limited)	176,922,005	96.236%
		● Dai, Hung-I (Representative of Trans Victory Trading Limited)	6,919,800	3.764%
Kai Gang Industries Limited	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung (Representative of Hon Chuan (China) Holding Co., Ltd.)	1,201,561,003	100%
Hon Hsing (Samoa) Holding Limited	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung (Representative of Hon Chuan (China) Holding Co., Ltd.)	108,006,000	100%
Hon Chuan Enterprise (Suzhou) Company Limited	Director	Chang, Yueh-Chueh, Liu, Yun-Chang, Lin, Mei-Hsiu (Representative of Kai Gang Industries Limited)	-	100%
Hon Chuan Food Packing (Qingxin) Company Limited	Director	Fang, Yu-Lung, Liu, Yun-Chang, Tsao, Chien-Hsia (Representative of Kai Gang Industries Limited)	-	100%
Suzhou Hong Xin Food Packing Company Limited	Director	Tsao, Yu-Yu, Lin, Mei-Hsiu, Liu, Yun-Chang (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Enterprise (Changsha) Co., Ltd.	Director	Chang, Chun-Shu, Tsao Hsin-Wen, Liu, Yun-Chang (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Jinan) Company Limited	Director	Yen, Ching-Chuan, Liu, Yun-Chang, Tsao, Chien-Hsia (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Taiyuan) Company Limited	Director	Liu, Yun-Chang, Tsao, Yu-Yu, Yen, Ching-Chuan (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Zhangzhou) Company Limited	Director	Yen, Ching-Chuan, Liu, Yun-Chang, Tsao, Chien-Hsia (Representative of Kai Gang Industries Limited)	-	100%
Hon Chuan Food Packing (Chuzhou) Company Limited	Director	Tsao, Chien-Hsia, Liu, Yun-Chang, Fang, Yu-Lung (Representative of Kai Gang Industries Limited)	-	100%
Hon Chuan Food Packing (Xiantao) Company Limited	Director	Tsao, Chien-Hsia, Liu, Yun-Chang, Fang, Yu-Lung (Representative of Kai Gang Industries Limited)	-	100%

Hon Chuan Food Packing (Luohe) Company Limited	Director	Liu, Yun-Chang, Hsieh, Hung-Lung, Chuang, Kuei-Ching (Representative of Kai Gang Industries Limited)	-	100%
HC (Asia) Holdings Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung (Representative of Hon Chuan Holding Limited)	253,163,480	100%
Hon Chuan (Thailand) Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	137,000,000	100%
Hon Chuan FD Packaging Co., Ltd.	Director	● Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan (Representative of Hon Chuan (Thailand) Co., Ltd.)	12,666,225	65%
		● Kasem Deemaitree, Mrs.Chintana Assodmritee (Representative of F&D)	6,820,275	35%
PT Hon Chuan Indonesia	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan, Li, Cho-Pin (Representative of HC (Asia) Holdings Co., Ltd.)	98,577,783	100%
	Supervisor	Liu, Yun-Chang		
Hon Chuan Vietnam Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	-	100%
Hon Chuan Malaysia Sdn. Bhd.	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan, Ting, Chih-Hao (Representative of HC (Asia) Holdings Co., Ltd.)	81,259,900	100%
Hon Chuan (Myanmar) Co., Ltd.	Director	● Dai, Hung-Chuan, Tsao, Hsieh-Chung, Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	89,524,394	70%
		● Daw Zin Mar Cho, Daw Aye Mya Aung (Representative of Pack Master Co., Ltd.)	38,367,597	30%
Honly Holding Co., Ltd.	Director	● Dai, Hung-Chuan, Tsao, Hsieh-Chung (Representative of HC (Asia) Holdings Co., Ltd.)	69,854,780	100%
Honly International Co., Ltd.	Director	● Dai, Hung-Chuan, Tsao, Hsieh-Chung, Cheng, Ya-Wen, Dai, Hung-I, Tsao, Hung-Yu (Representative of HC (Asia) Holdings Co., Ltd.)	1,002	49%
		● Chuang, Savy	1,043	51%
Honly Food & Beverage Co., Ltd.	Director	● Tsao, Hsieh-Chung, Dai, Hung-Chuan, Yen, Ching-Chuan, Chang, Yu-Hung (Representative of HC (Asia) Holdings Co., Ltd.)	17,966,248	100%

Hon Chuan (Cambodia) Co., Ltd.	Director	Pai, Wen-Pin, Chang, Yu-Hung (Representative of Taiwan Hon Chuan Enterprise Co., Ltd.)	1,000	100%
Hon Chuan (Philippines) Co., Ltd	Director	Dai, Hung-Chuan, Tsao, Hsih-Chung (Representative of Hon Chuan Holding Limited)	15,000,000	100%
Hon Chuan (Africa) Holdings Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsih-Chung (Representative of Hon Chuan Holding Limited)	13,485,118	100%
Hon Shi (Samoa) Holding Limited	Director	<ul style="list-style-type: none"> ● Dai, Hung-Chuan, Tsao, Hsih-Chung, Fang, Yu-Lung (Representative of Hon Chuan (Africa) Holdings Co., Ltd.) ● Roy Debabrata, Huang, Yu-Hwa 	3,138,790 2,092,526	60% 40%
Shimada International Limitada	Director	<ul style="list-style-type: none"> ● Dai, Hung-Chuan, Tsao, Hsih-Chung, Fang, Yu-Lung (Representative of Hon Chuan (Africa) Holdings Co., Ltd.) ● Roy Debabrata, Huang, Yu-Hwa 	- -	60% 40%
Hon Shi Mozambique Co., Ltd.	Director	<ul style="list-style-type: none"> ● Dai, Hung-Chuan, Tsao, Hsih-Chung, Fang, Yu-Lung (Representative of Hon Chuan (Africa) Holdings Co., Ltd.) ● Roy Debabrata, Huang, Yu-Hwa 	- -	60% 40%
Hon Hua (Samoa) Holdings Limited	Director	<ul style="list-style-type: none"> ● Dai, Hung-Chuan, Tsao, Hsih-Chung, Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.) ● Chia, Hsin-Hua, Yang, Cheng-Lin 	8,100,000 5,400,000	60% 40%
Uni Tun Co., Ltd.	Director	<ul style="list-style-type: none"> ● DAW MYA THAZIN KYAWE, DAW WIN WIN KHAING, Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.) 	6,000 4,000	60% 40%

Note: Except for Hon Chuan Malaysia Sdn. Bhd., other limited companies do not issue shares.

8.1.2 Independent Auditor's HON CHUAN and Affiliated Enterprises Consolidated Financial Statements: Please refer to Page 114 to 180.

8.1.3 Representation letter about Consolidated Financial Statements of Affiliated Enterprises

Representation Letter

The entities that are required to be included in the combined financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Report No.10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Hon Chuan Enterprise Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Taiwan Hon Chuan Enterprise Co., Ltd.

Dai, Hung-Chuan

Chairman

March 23, 2021

8.1.4 Relationship report: Not applicable.

8.2 The status of issuing private placement securities in the most recent year and up to the publication of the annual report: None.

8.3 Acquisition or disposal of the Company's stock shares by subsidiaries in the most recent year and up to the publication of the annual report: None.

8.4 Other necessary supplementary notes: None.

9. The occurrence of any events as stated in Section 3 Paragraph 2 in Article 36 of the Securities Exchange Act that had significant impact on shareholders' equity or securities prices in the most recent year and up to the publication of the annual report: None.

Taiwan Hon Chuan Enterprise Co., Ltd.

Chairman: Dai, Hung-Chuan





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